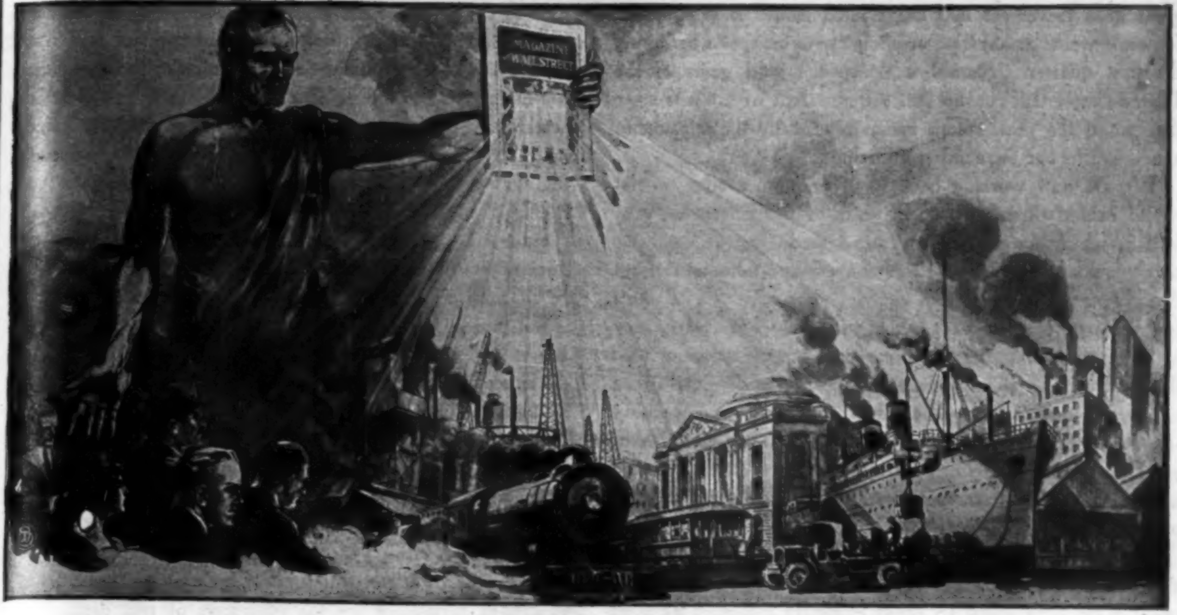

THE OUTLOOK

Changes in Dividend Rates—Will Gold Imports Lead to Cheaper Money?—Railroad Troubles —The Market Prospect

LATEST developments, viewing the country as a whole, have been somewhat on the side of improving production, although this is confined mostly to such industries as textiles, motors and tires. The great basic industries are still in a state of considerable unsettlement. Unemployment is more pronounced and in this regard the gains made recently in some industries have been more than offset by losses in others.

Commodity prices are still in process of deflation and numerous low prices for the past few years have been made recently. Conspicuous among these have been wheat and corn. Iron and steel prices show a declining tendency, although this is not so pronounced as earlier in the year.

Buying is on a conservative basis and there is little disposition to anticipate future requirements among manufacturers. On the other hand, retail trade is fairly active and is helped along by the growing tendency toward lower prices among retail establishments in general. Collections are slightly better but far below normal. Business sentiment is confused.

On the whole, conditions point to continued irregularity and uncertainty in business operations and for a longer period than was believed probable at the beginning of the year.

* * *

EARNINGS AND DIVIDENDS

ONE of the most striking factors among financial developments during the past month or more has been the suspension of dividends by important industrial corporations. The suspensions have of course been most numerous and far reaching in the case of common stocks but many preferred stocks which up to a year ago were considered exceptionally strong have been obliged to forego dividends for the present along with the common issues. The situation is primarily due to two factors—the severe writing off which has necessarily been done as a result of last year's reduction in inventory values and the effect of current business depression which has prevented many concerns from showing any net earnings during the first quarter of 1921.

In other cases where the necessary money for dividends has been technically earned the difficult banking conditions have prevented it from being paid. In a number of instances of late, bankers who were carrying a considerable amount of paper for perfectly sound enterprises, which however had been unable to liquidate their maturing obligations, have suggested to them the desirability of a "clean up," the funds for such purposes being obtained through suspension of dividend payments. This state of affairs accounts very fully for the low prices at which not a few shares have continued to be sold and also for the hesitation of outside buyers about coming into the market and taking up stocks whose dividends were either suspended or endangered. *The average investor, and particularly the small investor, is seldom willing to buy stocks freely upon the basis of possible future earnings, and on that basis a revival of public interest is not likely to come into the market until earning conditions have actually improved.*

* * *

THE NEW SPECIE MOVEMENT

OFFICIAL returns made to the Department of Commerce show that we imported into the United States during the period from January 1 to March 20 a net amount of nearly $130,000,000 of gold. Careful estimates for the two weeks following that date, compiled from private sources, show that with what was actually received and with consignments known to be afloat on April 1 the total for the first three months of the calendar year was not much less than $150,000,000. There is abundant indication that this

great gold movement into the United States is to continue for some weeks at any rate at about the same speed as during the past quarter. Should it do so the gold gains of the United States will run up into the hundreds of millions since the first of the year. This means practically the opening of a new era in our financial relationships.

We are now working back to a condition similar to that which existed during the early years of the European War and in which we refused to extend credit but at the same time would sell to those European powers who must have them, American products in exchange for cash. The effect is to enlarge our monetary stock and one resulting tendency is still further to throw our price level out of harmony with the level existing abroad, since Europeans are deprived of an undue amount of gold while we acquire more than we have use for. The general supposition that the importations of gold will result in easier money may or may not be justified according to the effects produced by the accretions of gold and the discount policy of the Federal Reserve Banks.

Should the result be a lower discount rate it may be still doubted whether the influence of such a change would be as great in bringing about an easier monetary condition as some have supposed. The rate of interest represents the return upon capital or loanable funds rather than upon money, and facts during the past year have demonstrated conclusively that factors other than money are of importance in effecting changes in the price level. *It is undoubtedly the judgment of some of the most careful and far-sighted financiers that a further accretion of gold in the United States will not add to our prosperity but may in no small measure bring about renewed embarrassment through price changes and the inflation of our monetary stock.*

* * *

APPROACHING A RAILROAD CRISIS

CONDITIONS in the railroad world have been of such a nature as to indicate the approach of what might almost be regarded as a crisis. The situation has been due to the evident necessity under which the railroads have been laboring of cutting down their current operating expenses in view of the fact that during the months of January and February there was but little real surplus of earnings over costs. They have evidently come to the opinion that such savings as they are to make must be obtained through a reduction of the proportion of railroad income going to labor, since in their judgment expenditures for replacement or reconstruction are already at a minimum while savings of other kinds have already gone as far as practicable.

Meanwhile railroad finance has assumed a more serious aspect with the gradual running out of receipts due from the Government as the result of the six-months' Government guaranty of last year. This outcome is reflected in the low quotations for railroad stocks and the apparent inability of railroad securities to advance in price. *The present situation is practically one in which an entirely new start must be taken if the roads are to be enabled to maintain an independent existence.*

* * *

WAR FINANCE CORPORATION AID

AN important conference between agricultural interests and representatives of the Government was held at the Treasury Department on April 4, when special attention was given to the plight of the cotton grower with a view to considering what the War Finance Corporation in its revived form would do to assist the movement of agricultural products. Three plans for the rectification of present financial conditions were tentatively discussed: the first, that of limiting acreage not only of cotton but also of other products if necessary; the second, that of money advances for the purpose of facilitating the foreign movement of American staples; and the third, that of assistance to finance banks which have become heavily burdened with paper representing loans to producers.

Of these suggested remedies that of limitation of acreage is not one in which the Government can or should figure to any extent, and which is already under consideration by associations of growers. There will always be very serious doubt as to the economic advisability of such efforts at limitation. The proposal to provide for carrying or assisting banks which have become overburdened with cotton, grain or wool paper is in a sense almost unavoidable unless those who usually require support from the banks are to go without new advances on the crop of this year. Loans made for the purpose of financing exportations will succeed only in so far as the exportations themselves are the outgrowth of real demand and represent a need for our staple products in foreign countries which want to take the raw materials and work them up into salable goods. On the other hand, it seems probable that where such demands as these are genuine anticipations of a real market, shippers are able with existing facilities to get at least a fair amount of credit. What the War Finance Corporation proposes to do, therefore, would seem to be rather that of financing producers abroad on a rather long term basis, thereby enabling them to turn out goods for which there is as yet no definite market. *Needless to say this is a somewhat hazardous undertaking and is so recognized by the Government, which has announced that it will make no advances except upon the basis of adequate American securities. Such a position unavoidably limits the scope of its efforts very materially and will make the promised loans more or less unacceptable to those who are desirous of increasing their foreign market.*

* * *

THE MARKET PROSPECT

A SUMMARY of the above factors would appear to contain slight ground for optimism, although many of the factors may develop a more favorable condition in less time than is now indicated. The situation may be likened to a person who is convalescing after a severe illness. A considerable time is required, during which he is subject to relapses of varying degree.

The prices of industrial and railroad securities are fluctuating in a way to indicate that holders are showing some discouragement and that those with the money and disposition to invest are doing so cautiously and in a leisurely manner. This maintains a supply of securities which is somewhat in excess of demand—a situation which appears likely to continue for a while longer.

It must be admitted, however, that many sound investment stocks are selling at prices far below a conservative valuation of their assets, and it should therefore be remembered that those who do not purchase during times of depression will undoubtedly pay higher prices when the situation improves.

Tuesday, April 12, 1921.

Lavaille McCampbell Discusses Cotton

Vice-President of Huge Consolidated Textile Corporation Says Retailers Are Doing a Rushing Business—Sees Big Openings in Far East

Interview by WILLIAM McMAHON

THE Consolidated Textile Corporation is one of our infant industries, being only a year and a half old. It is a husky infant, however.

Consolidated Textile leads the textile industry of this country today, and that leadership was gained primarily by reason of the vision and sagacity of its management.

While waiting in the executive offices of the Corporation to see Mr. Lavaille McCampbell, vice-president, I thought I noticed some items of management policy which might account for the success of the company. There seemed to be a spirit of harmony prevailing. There was no sign of hysteria or feverishness. Courtesy was evidently a habit. Every one was cheerful and busy.

When finally I was ushered into the presence of Mr. McCampbell, the thought obtruded that this vice-president was about as infantile as the company in point of size. I faced 250 pounds, more or less, of human force.

"Good morning, Mr. McCampbell,—how is business?"

"Spotty."

This Year's Cotton Production

I asked about the cotton production for this year.

"There probably will be a reduction in acreage this year. I might say, however, in reference to this phase of the subject that in all my years' experience in the cotton business I have never known a time when the mills were in want for raw cotton. There always has been a supply, is now, and probably always will be. Mills do not shut down because they are unable to get cotton. Such a situation does exist as a contributing factor and as an influence in the goods market, and has a psychological aspect in the matter of being a controlling factor in prices. But it is not a controlling factor in volume."

"How are your mills running now?" I asked.

"The New England plants are running full capacity. Seven of the Southern properties are running full time, one is running half time, and one is closed temporarily for the installation of new dyeing machinery. Taking the industry as a whole throughout the country, the production cut is probably about 10 per cent. Wages throughout the entire industry have been cut about 40 per cent in the South and I fear that the New England mills will be forced to meet the reduction of the South."

The Market Today

"How is the market?"

"The word that best expresses the market, is spotty. Some of the mechanical trades are not going along as prosperously as they were a year or so back, and few people realize the extent of the market for cotton textile manufactures afforded by the mechanical trades. The automobile business figures very largely in textile manufacturing, for there is much cotton cloth used in the make-up of automobiles. Just at present the automobile trade is dull although in the last few days there are indications that it has commenced to nibble. Taking the industry as a whole, probably two million spindles out of thirty-five million are devoted to the automobile industry. About a 15 per cent reduction in cloth available for commercial uses is due to the cut in hours and the number of spindles segregated to the automobile trade which is bad at present. Five per cent of this loss has possibly been made good by the normal increase due to the usual establishment of new mills.

"The shoe trade for which we supply linings is dull now although there is a recovery about due. The shoe industry reached about its pinnacle in February last year. The bag business is dull also, for nearly all the cement mills are shut down and in normal times these mills use large quantities of cotton goods for cement sacks."

Opportunities in the Far East

"How is the export trade?" was my next question.

"We are receiving some business from China and the Levant. This section of the world is taking a large portion of the output of cotton textile manufacturers, although not as large as it might be taking or will be taking in a few years hence. This market, however, is not enough either in point of steadiness or volume to depend upon. There is, too, a probability that even the Chinese markets will not buy as much in the future, for Japan is beginning to manufacture cotton, and some mills are going up in China itself. In the past, the Chinese have been dependent upon to take up the surplus when prices were at their very lowest, for your Chinese merchant is shrewd. Unquestionably if conditions improve and exchange improves also and the situation is properly handled all around, the Far East could be wonderfully developed as a market.

Retailers Doing Rushing Business

"It might be interesting to note that the average retailer is moving more cotton yardage over his counter at the present time than he ever has done before. Shelves are bare and the situation is as good now as it was at the height of the boom.

"The Consolidated Corporation, or, particularly, those mills which were known as the Knight subsidiaries, will produce steadily one million yards or more per week of the well known fabric, 'Fruit of the Loom,' which probably is the best known of all brands of cotton. The story is told when I say that at this present moment the Knight subsidiaries have none of this particular brand of cotton in stock and are sold ahead."

I mentioned to Mr. McCampbell that, taking into consideration the remarkable growth of Consolidated Textile in such a short space of time, it looked as if the corporation had ambitions, to say the least of it.

"Converse & Co., the management of Consolidated Textile Corporation," said Mr. McCampbell, "is the largest cotton textile establishment in this country. Consolidated has 733,000 spindles, of which about a half million are in New England and the rest in the South. It is the only cotton textile listed on the Stock Exchange. The corporation began with the consolidation of only four plants in September, 1919, when it had about 47,000 spindles. It has steadily grown and the

(*Continued on page* 825)

"I BELIEVE that the cotton manufacturing industry is passing or will pass through the same phase of development as oil and steel and tobacco, and that smaller units will be gathered together into larger units and eventually these larger units into still larger entities. I regard the growth of our Corporation as only a chapter in this large program.

"It might be interesting to note that the average retailer is moving more cotton yardage over his counter at the present time than he ever has done before. Shelves are bare and the situation is as good now as it was at the height of the boom.

"The Consolidated Corporation, or, particularly those mills which were known as the Knight subsidiaries, will produce steadily one million yards or more per week of the well known fabric, 'Fruit of the Loom,' which probably is the best known of all brands of cotton.

"The story is told when I say that at the present moment the Knight subsidiaries have none of this particular brand of cotton in stock and are sold ahead." — Lavaille McCampbell.

Rebuilding the World's Business

What America Faces—Europe's Credit Limitations—Is Bolshevism Still a Menace?

***By* W. S. KIES, Chairman, First Federal Foreign Banking Association**

MR. W. S. KIES, of Aldred & Co., is chairman of the First Federal Foreign Banking Association. He was asked by THE MAGAZINE OF WALL STREET what he considered the most important phases of America's trade problems. Mr. Kies said:

"The most important thing at the present time is the rebuilding of our industrial and commercial structure upon a deflated basis. This building should be established firmly and on a solid foundation. There is nothing so important at the moment as for every one to try to understand the underlying factors in the present world situation. The key to the whole business is in the course of future events in Europe.

"Informed people are quite well aware of the chaotic condition of the European countries. They know that our future is tied up with the future of Europe. Amercan business is sadly cognizant of the fact that, through various reasons, European markets are not thoroughly open to it.

How Europe Has Tied-Up World Credit

"Furthermore, Europe's inability to buy and pay for goods in South America is largely responsible for the trouble which the countries of South America are now experiencing. Europe was the best customer of Brazil, the Argentine, Uruguay and Chile. Also Europe furnished these countries with capital for development. Europe's inability to purchase has affected the market for the products of these countries, and Europe's financial condition has shut off the supply of money in the form of capital. South America's inability to sell goods affects her power to purchase them, and this also affects the exchange situation. The greater the discount of South American currencies the more costly the dollar, and the greater the handicap to doing business.

"It is because the conditions in Europe re-act upon all of the other markets of the world that we must know and understand the main factors in the European situation before we will be able to gauge intelligently the future course of business in this country.

The Menace of Bolshevism

"It may be asked whether the threatening menace of Bolshevism or Communism render European industrial and political conditions so precarious and dangerous as to make it difficult for us to do business with them.

"It is true that Europe may remain in a state of unrest for many years to come. There will be hatreds unhealed. There may be revolutions. And yet, the first years of our own country were full of strife and disorder. We outgrew it as Europe can.

"An occurrence of vital importance to the whole world was the defeat of the Bolsheviki before Warsaw on August 1. Probably the danger to Western Europe of Bolshevism may be past, although it takes time to straighten out such a situation as was imposed on Russia, and no condition of permanent stability in Europe can be expected until Eastern Europe is reorganized and reconstructed along sound economic and social lines.

"The recent Communist uprising in Germany was the work of a small minority. Labor generally will not accept Bolshevism or Communism. It does want, however, a greater share in the proceeds of production, and better working conditions. It wants good living standards. Even in Italy, while the headlines of newspapers spoke of labor seizing Italian factories, yet, as a matter of fact, there was no thought of either retaining or confiscating them. Labor merely wanted an increase of pay in order to enable it to live. The method it chose was merely the most effective method at hand for enforcing its demands and certain industrial reforms. The great mass of labor in Europe is willing to work, asking only a living wage and the opportunity. This opportunity is measured by the supply of raw materials and coal.

WILLIAM S. KIES

A recognized authority on international trade, Mr. Kies is chairman of the First Federal Foreign Banking Corporation, and director in International Bank, Pacific Mail Steamship Co., Allied Sugar Machinery Co., The China Co., The American International Terminals Co., The Latin-American Corp.

"International exchange values are based not only on balances of trade but on the intrinsic value of the currency itself as measured by its security. It is evidenced by its purchasing power as compared with the purchasing power of intrinsically sound currency, and by this test we can see little hope for the German mark or the Austrian kronen.

"In the last week in October the London papers carried leading articles giving a list of some twenty articles of German manufacture offered in English markets at from fifteen to twenty-five per cent under English costs of production. With fifteen million ready and willing hands in Germany, and many millions more in Italy and Austria the question arises, what will be the effect upon our domestic markets and prices in this country when goods made by this cheaply paid labor are pressed for sale here? Of course, Europe's own demands are large. All Europe needs goods and what can be manufactured under present conditions may scarcely go round, given improved channels of distribution.

"If we are to sell to Europe we must begin to think of longer term credits. This burden should not fall upon our deposit banks, but should be borne by the whole country through the building up of broader markets for bankers' acceptances, and by effective support of the banks for foreign trade organized under the Edge Bill. Moreover, we must make capital investments. The purchasing power of new markets is built up by the development of resources through capital. Money invested in railroad building in China means orders for railroad materials. Investments in loans to countries and state means orders for construction material. We have talked much about foreign investments but have done little. It might be well to mention incidentally that our income tax laws keep the rich man from investing, while the savings of the humble are attracted elsewhere.

"International trade balances can be settled, first by the shipment of gold—second, by the shipment of goods—third, by credits in the form of securities. The first is out of the question, and the second would upset our domestic markets. Therefore we must accept payment in credits and securities.

The Need of Better Salesmanship

"But there are other phases to our problem. In the markets of the world we must not only compete with cheap labor, but we are at a further disadvantage in being obliged to sell our products for dear dollars as compared with cheap pounds, francs, lire and marks. While some improvement in exchange may be expected, yet we shall have to accustom ourselves to thinking in the four dollar and a quarter pound, a nine or ten cent franc, and a

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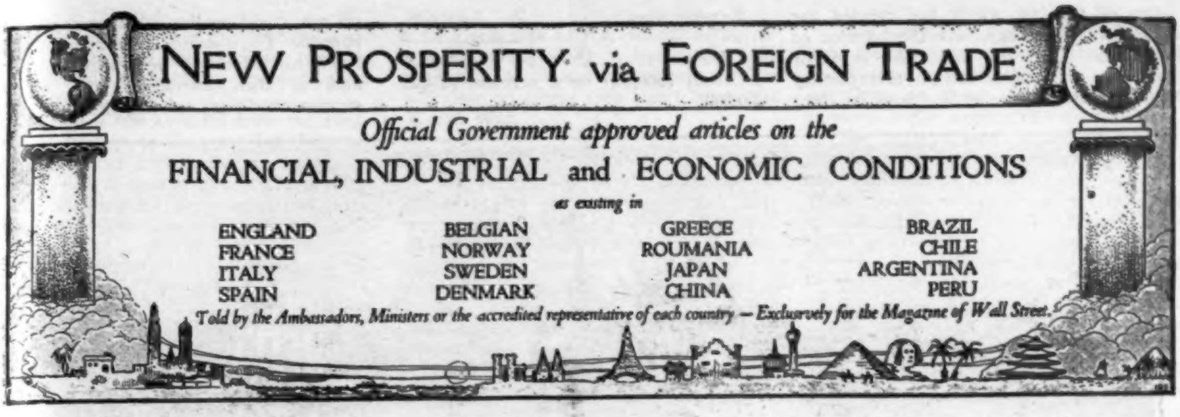

Peru

How Her Growth Was Affected by the War in Europe—Her Commercial Possibilities and Great National Resources—Does America Want to Trade?

By **HON. F. A. PEZET**
Peruvian Ambassador to the United States

ONE cannot make an accurate study of the present economic conditions of a nation without first taking a retrospective glance at conditions as they were before the World War and during the course of the war.

Peru, like the rest of the nations, has gone through the most varied experience since that eventful day in July, 1914, when normality suddenly came to an end and events happened in rapid succession with ever increasing momentum until they made the world awaken to the fact that the crisis of crises had arrived and a new era in the world's reckoning was in the making.

Why Peru Developed Slowly

Up to that time the economic development of Peru had been comparatively slow. The main reason for this was the geographic position of Peru—on the west coast of South America and removed from direct trade routes. But as the wealth of the country was proverbial —the expression, "As rich as a Peru" having been coined in the early days of the country's discovery in the early part of the sixteenth century and maintained through successive discoveries of new sources of wealth in her extended territory—Peru had latent possibilities which needed but some outside event to produce the beneficent result the country seemed to be waiting and hoping for. Thus, during the last century, the discovery of guano first and of nitrate of soda later brought fame and wealth to Peru. But they had also an unfortunate effect on the life of the nation and instead of producing a healthy condition they served to create a fictitious wealth which was detrimental to the development of a people as yet in its infancy in the art of self-government.

The fabulous wealth of Peru from guano and nitrate brought about the war of 1879 waged by Chile against the two countries, Bolivia and Peru, who possessed the monopoly. Up to the time of that war Peru, notwithstanding her many mistakes in self-government, was undoubtedly, after Brazil, the most rich and progressive nation in the southern continent, with a future that, from an economic point of view, seemed the most promising.

The war of 1879-1883 threw Peru back half a century. The victorious Chileans destroyed all and every source of wealth. Plantations were burned, factories dynamited, railroads torn up and all rolling stock carried away. All private and

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public wealth became the loot of the victor.

The Reconstruction Period

From 1884, when the enemy finally left, until 1914, when the World War began, Peru had been busy reconstructing her devastated industries, recuperating from the effects of the occupation of her territory and nursing the wounds left in her organism as a consequence of war and its terrible aftermath.

The completion of the Panama Canal, which was to bring Peru into the limelight, so to say, was an event that the whole Peruvian nation was eagerly awaiting. In anticipation of the change that the opening of this new maritime route was to bring, the Government and people of Peru were making necessary preparations. It seemed as if at last Peru was to have her boom when the fatal cataclysm came along and destroyed all hopes and relegated everything into the distant future.

In 1914 the condition of Peru was one of great expectancy. The opening of the Panama Canal was to be the wonderful panacea that would cure all the nation's ills. Capital in abundance and labor in quantities were expected to flow to her shores from Europe and the United States.

Had Only Metallic Currency

Peru since 1897 had been on a gold basis, her currency wholly metallic—gold, silver and copper coins. Her exports were greater than her imports, hence there was a balance of trade in her favor which helped to keep the gold in the country and thereby placed the banks in a condition of ease. All internal transactions were made by means of drafts and bank checks, there being no paper currency of any nature or any form. Therefore, when the war broke out, it became the first duty of the government to obtain from Congress authority to create a class of elastic currency that would replace the metallic which could no longer remain in circulation. It was then that the "Cheques Circulares," or circulating checks, were made legal tender and that the "Junta de Vigilancia," Supervisory Board, was established to watch, supervise and control the issue of such "Tokens" and see that the banks and the Government complied with each and every

item of the law which had created the emergency currency. As the balance of trade had been for some time in favor of Peru the banks had in this country and in Europe more or less large balances

Expenditures	5,409,636
Deficit	£p74,843

or about $360,000 on a revenue of $25,-000,000.

no one could realize what was going to happen. The world readjustment was being carried on by very slow processes and, at that, interfered with by the strange conditions existing in many lands,

A PICTURESQUE SQUARE IN PERU'S CAPITAL

Under the leadership of President Leguia many experts from the United States have been consulted to introduce modern administration methods in the Customs, Naval, Educational and Sanitary departments of this progressive Republic

in gold, and it was these funds, together with the bullion in existence in Peru, that served to create the guaranty fund for the issuance of the "Cheques Circulares," or Bank Notes which they really are.

The law that created them did so only for the duration of the European War, and it specifically stipulated that they should be withdrawn from circulation and replaced by the nation's gold and silver currency six months after the signing of peace. This is a remarkable proof that when the law was framed no one realized what was going to happen to the world, and that it was quite evidently believed that as a matter of course normality would be restored within six months of the signing of peace.

Peru's Monetary System

The Peruvian monetary system is based on the British in so far as the unit is the gold Libra (£p) or Pound, equal in weight and fineness to the English Sovereign (£), but the system is decimal, the subdivisions being the "Sol," one-tenth of a pound—a silver coin of the size of the U. S. dollar—the "Peseta" or twenty-cent piece, the "Real" or ten-cent piece, and the copper coins of one and two "Centavos" (cents) respectively. The "Media Libra" or half Pound, a gold coin, is equal to five silver "Soles."

Economic Development

In 1913, the year previous to the war, the economic condition of Peru was as follows:

Foreign Commerce

(£p at par $4.86)

Exports	£p 9,137,789
Imports	6,088,776
Total	£p 15,226,565

or in round numbers about $75,000,000.

Government Finances

Revenues	£p 5,334,793

Exchange on New York at three days' sight $4.77 to the Peruvian Pound.

Balances in the six leading discount and deposit banks of Lima, £p15,459,846, or about $75,000,000.

In 1914, the first year of the World War, the foreign commerce of Peru had dropped to £p13,595,720, about $65,000,000; but by the end of the fiscal year 1915 when the demand for raw products by this country and the Allies was in full operation the value of the foreign trade of Peru rose to £p17,218,616, about $85,-000,000; and in 1917 it had reached £p32,-146,266, about $160,000,000.

The Government revenues in 1914-15 dropped over two million pounds, about eleven million dollars, but in 1917-18 they returned to what they had been prior to the war.

The rate of exchange on New York reached its lowest point in 1914-15 when the highest was $4.40 to the Peruvian Pound and the lowest $4.12 to the £p. In 1918 the Peruvian Pound rose to $5.85, the lowest being $5.01 per £p for drafts on New York at three days.

The balances in the six leading Lima banks rose from $75,000,000 in 1913 to $135,000,000 in 1918. Of this sum there is at present deposited in banks in New York something over twelve million dollars in gold.

The World War inflated prices of all principal commodities by reason of their great demand but after the signing of the Armistiee, and when later the long expected readjustment period was supposed to commerce, markets became suddenly unsettled and conditions generally chaotic throughout the entire world. Peru, like every other country, suffered in consequence and the same phenomena that were apparent in other countries made themselves felt there.

1919 was a year of more or less wild speculation, a sort of general gamble, for in fact in all lands, because in truth none could be said to be exempt from the troubles of every nature confronting governments, causing strikes, lock-outs, paralyzation of commerce and panics of more or less intensity and of greater or lesser consequence.

Notwithstanding these conditions, Peru, because her raw materials were in demand and prices on the whole were maintained at high levels, forged ahead and kept her position of prosperity.

The first half of the year 1920 witnessed Peru still on the right side of the ledger with a very large balance in her favor and going strong. A progressive man was at the helm of Peruvian affairs. President Leguia, a thorough and practical business man, had become President in 1919.

President Leguia's Policy

It has been President Leguia's one object to introduce into Peru all those salutary reforms that have already proved their worth wherever applied, and so to bring about a new era in the life of the Republic. To this end he has been untiring in his efforts. To introduce new methods in the Administration he has called to Peru experts from foreign lands, notably the United States, to take part in the constructive work as advisors to the Government, and in some instances even to take actual charge of some branches. Thus he has brought to Peru an American Naval Mission, an Educational staff, a Sanitary Corps, and is now arranging for American experts to take charge of the Customs Service, the policing of harbors, the organization of a good constabulary for rural districts and the building of ports and terminals. He has also encouraged the construction of public buildings, such as hotels, warehouses, prisons, schools, department stores and modern dwellings, both for the poor

and the wealthy. He has brought about the sanitation of the principal cities by introducing all modern, up-to-date improvements.

Perhaps a few excerpts from the President's message to Congress last July will be of special importance as bearing on the subject of this article. "The development attained by the commercial interchange of Peru inspires profound satisfaction. . . .

"The following are of themselves an undeniable proof of this assertion:

"The import trade during the first half year of 1919

amounted to	£p5,554,511
and the export trade to......	9,512,971
Total	£p15,067,482

"This same trade during the same period of 1920 has been:

Imports	£p7,904,412
Exports	20,597,892
Total	£p28,502,304

that is to say a general increase of £p13,434,822, an amount which represents nearly 90% of the increase of the first six months of the present year.

"I have no desire to imply, by this attractive statement, that there is any reason why we should complacently rest in the belief that we shall be favored. The figures shown are an unanswerable demonstration of how fruitful is the action of work with regard to the welfare and enrichment of a people; and this extremely gratifying fact is that which proves with true eloquence that Peru is passing through a fortunate period which it is our duty to take advantage of very hopefully but also with judicious forethought. The latter advises us to be sleepless in the creation of new sources of industrial development and of a greater productive capacity. Such is the standard of the government, such the eager desire behind its action. If we can attain it, Peru will have triumphed. When the inevitable drop in the prices of our exportable goods occurs, the increase of production will more than compensate for such decline, and capital will continue to come into the country, the while the State will progressively and abundantly increase its revenues.

"The creation of the National Bank of the Republic is for my Government a purpose the execution of which may not be postponed. The respective Bill, which is completed, will shortly be submitted to you; and I judge that the organization and development of such institution will contribute toward enlarging the national revenue and the better functioning of the Administration to such an extent that the most optimistic criterion would at present find it illusory or exaggerated.

"Paying due attention to the urgent need for repressing the rise in the prices of articles of consumption which oppresses the lives of the poorer classes, the Government has been tireless in the adoption of measures tending, on the one hand to check the voracity of the profiteers and, on the other, to stimulate the production and import of articles of prime necessity.

"Within a very few months the cheapening of the cost of living should reach far greater proportions, and it is no rashness to foretell that, with the crops of the area given over to the cultivation of nutritious plants, which it has so far been impossible to place on the market, prices will drop to where they stood before the World War. . . .

Important Petroleum Discoveries

"The development of the petroleum industry in the country is becoming daily more intense owing to the discovery of numerous and important fields of the substance in the districts of Puno, Azangaro, Huancane, Cuzco, Canas, Espinar, Santa, Iquitos, Cerro de Pasco, and Sandia. Its exploitation will be a new source of national wealth spread, as may be seen, over every zone in the territory. It is a matter of public interest to regulate such exploitation in a way that will assure, not only the nationalization of the industry, but also a considerable share in its profits for the State. With this primary double object and others of secondary importance in view, the respective Bill will be submitted to you in due time.

"Work on the several railways under construction has been actively carried on. Thirty-eight kilometers of roadbed have already been constructed on the Tambo del Sol to the Ucayali Railway. As soon as it reaches kilometer 75 which will shortly occur, the laying down of rails on the road will be commenced, employing in such operation sleepers (ties) already contracted for and already cut from the rich timber which exists in that zone.

"This part of the zone alone will render easy the development on a large scale of the lumber industry, as well as supplying Cerro de Pasco, Morococha and the railways under construction therewith.

"The railroad from Huancayo to Ayacucho has entered into a period of assiduous execution. Close on to two thousand men are employed on the task and a locomotive will be able to reach Izcuchaca before a year has passed.

"The Cuzco to Santa Ana line is one of the most advanced. It already has 73 kilometers of road ready, on 40 kilometers of which rails have already been laid; and recently the fixtures and rolling stock necessary to carry the line into Pisochuelo has been ordered out.

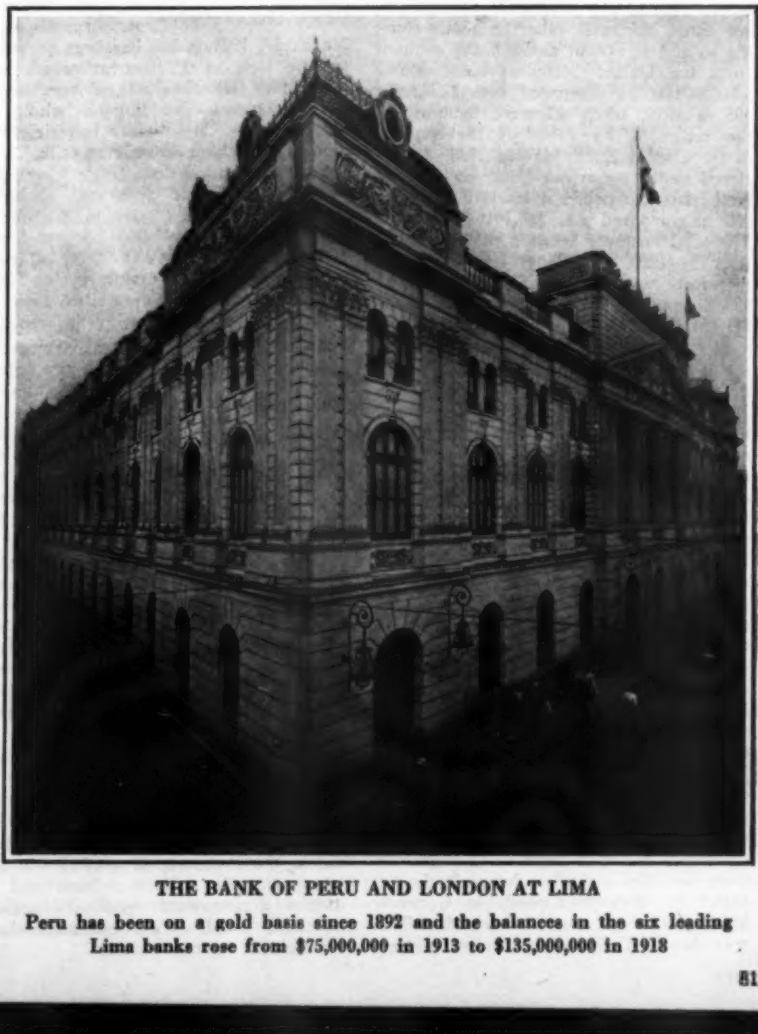
"Both the Chimbote to Recuay line, and the branch that is to reach Cajamarca, are being actively pushed and day by day greater sums are spent thereon.

"Next month will see the bridge over the Vitor River completed and traffic opened from the 'El Ramal' station to the Vitor valley, where work will proceed toward the Siguas and Majes valleys.

The Tobacco Revenue

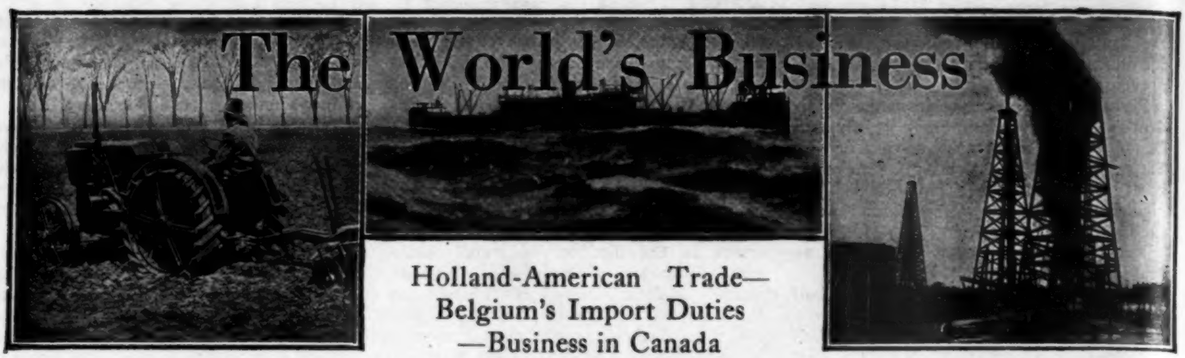
"All this progress has been carried out with tobacco revenue, which amounts to slightly over £p300,000 per annum; the Government, however, has under way a financial combination which, with the security of such revenue, will permit the

(*Continued on page* 866)



THE BANK OF PERU AND LONDON AT LIMA

Peru has been on a gold basis since 1892 and the balances in the six leading Lima banks rose from $75,000,000 in 1913 to $135,000,000 in 1918



The World's Business

Holland-American Trade—Belgium's Import Duties—Business in Canada

THE NETHERLANDS

ALL the present data indicate that the year 1920 was probably the greatest in the history of Holland-American trade. An analysis of this trade is difficult, for the trade returns for 1920 include only goods actually entered and cleared through Dutch Customs Offices, whereas the trade returns in the years immediately preceding also include a considerable amount of goods that entered the country in transit to the countries of Central Europe or from them to the rest of the world.

A list of the principal imports from the United States into the Netherlands for 1920 reaches a value of $166,377,130, not including transit traffic. Estimating the value of the latter at 20% of the whole and adding $2,000,000 for articles not listed, the total value of goods coming to and in transit through the country from the United States is substantially $202,000,000, as compared with $208,669,495 in 1919, when all were included in the return. The value of the exports to the United States during 1920, as declared to the American Consulates in the Netherlands, reached a total of $98,610,650, as compared with $84,141,959 in 1919. The total turnover between the two countries in 1920, including transit traffic, therefore, was something like $300,610,950, as compared with a turnover of $292,811,454 in 1919.

The chief factor in the entire trade of the year 1920 was that of exchange. In the opening months of the year the Dutch guilder averaged substantially par. About the middle of the year its value commenced to decline until in October it required 3.36 guilders to buy an American dollar, whose normal value is 2.5 guilders. With this fall in the value of the guilder there was a decline in the volume of trade between the two countries. The high water mark of the country's trade during the year was in June, and at that time the prospects for American trade were the brightest possible. Netherlands was not only buying more grain, cotton, steel and other standard products from the United States than ever before, but it was also buying a greater variety of goods and embarking upon adventures in American trade which many of its merchants had never thought possible.

Back of this falling off in the demand for United States goods which marked the fall in the value of the Dutch guilder, there was also a similar change in the demand for American goods in Germany handled through the Netherlands. This was due to an industrial revival in Germany. The fall in the value of the mark not only rendered American goods in mark prices more expensive than they had been, but in many cases took American goods entirely out of the reach of German buyers. The fall in the comparative value of the German mark made it possible for German manufacturers to undersell American manufacturers, not only in German markets, but in Dutch markets as well.

The United States buys much rubber in the Netherlands, also Sumatra tobacco, quinine and spices. There was a great decrease in export of diamonds to the United States.

BELGIAN IMPORT DUTIES

ACCORDING to a cablegram from Acting Commercial Attache S. H. Cross, Brussels, dated March 27, 1921, a bill has been presented to the Belgian Parliament which proposes the following ad valorem import duties: hosiery and lingerie wholly or partly of silk, 20%; other lingerie, 15%; women's clothing containing silk, 20%; women's clothing not containing silk, 15%; photographic apparatus, including supplies, plates and films, 15%; chassis weighing less than 2,000 kilos and passenger cars up to 4,000, 20%; all other automobiles, 15%; motor cycles, 20%, and spare parts, including tires, 15%.

A distinctive feature of the Belgian financial system, quite in harmony to extending to centralization, is the appearance of financial groups which either develop temporarily for specific operation or form lasting organizations resembling investment trusts. These groups have been formed for the exploitation of new inventions, the opening of Colonial fields, or to further any sort of industrial progress.

Prior to the war, facilities for long-term credits were limited in Belgium. The need for such facilities became more acute after the war and numerous firms that had suffered damages were being allotted indemnities in the form of treasury obligations, the realization of which was necessary to permit reconstruction.

However, at the present time, there is no discount market for export paper, and operations with drafts growing out of foreign commerce are in general confined to collection and credit after collection, unless the exporting firm is closely affiliated with the collecting bank and has special arrangements with it regarding advances and other accommodation through its current account.

CANADA'S BUSINESS PROBLEMS

THE problems of Canada's business are similar to our own—the high cost of labor and the difficulty of finding profitable foreign markets. Canada's industry, however, seems to be maintaining their usual dividends and credit is perhaps less strained there than here. The high cost of building construction re-acts upon the lumber industry, although the pulp business is in good shape.

The output of Canadian coal mines in 1920 was 16,968,568 short tons, as against 13,919,096 short tons in 1919, being an increase of 21.9 per cent and a record in the history of coal mines in Canada since the previous high mark was set in 1913 at 15,532,878 short tons. Exports increased to 2,558,223 tons, as compared with 2,070,050 tons in 1919, and imports from the United States were 20,815,596 tons, against 16,982,773 tons in 1919.

An analysis of the exports of Canadian coal during the year shows Nova Scotia as the principal coal exporting Province, with shipments out of the Province for foreign destination amounting to 1,245,673 short tons, as against 994,107 tons in 1919.

Bituminous coal imports into the whole of Canada amounted to 15,902,632 tons in 1920, compared with 12,010,490 tons in 1919. Anthracite imports were slightly lower at 4,912,964 tons in 1920 and 4,972,283 tons in 1919.

In the fiscal year ending March 31, 1920, Canada exported $105,336,768 worth of manufactured or partially manufactured wood products, chiefly planks, boards, laths, and shingles, and $44,833,058 worth of manufactured wood products, chiefly wood pulp. Of this total of $150,169,826, $102,980,859 worth went to the United States, which country supplied $21,927,536 of the $22,431,670 worth of the wood products imported by the Dominion in 1920.

Lists of the principal importers and manufacturers in Canada have been prepared by the Commercial Intelligent Section of the Bureau of Foreign and Domestic Commerce. These lists show not only the nature and character of the business, but indicate the relative importance and size of each firm in its community. These lists may be obtained from the above Bureau in Washington, D. C. They are indexed by file numbers, the different classes of industries bearing file numbers, and anyone interested can readily procure full information by merely writing for it.

Money, Banking and Business

Commanding Your Banker's Support

What to Do Before Burdening Your Business With More Capital—Does Your Business Really Need More Capital or Does It Need More Management?

By L. V. ESTES, of L. V. Estes, Inc., Industrial Engineers

EVERY day we see requests for more capital. In every newspaper and magazine we are solicited for the purchase of notes or bonds or stocks, the sale of which is to provide funds which are considered absolutely necessary to the prosecution of business.

Why is there this widespread and urgent demand for capital? What conditions underlie it? It is apparently easy to answer these questions. We have all read extensively about the economic upheaval in the wake of the war. We have read and decided that the present conditions are inevitable. We are glad to conclude that it is not our fault but our misfortune. But let us examine the situation more closely. Let us seek to find why some companies are so much harder hit than others. Why some are doing well on their own resources, while others in the same line are frantically seeking financial aid.

A Noticeable Contrast

All lines have been hit and some hit much worse than others, but in every line, be it automobile, textile, wearing apparel, tires or steel, there is the noticeable contrast between those whose resources are carrying them through and those who are finding themselves short of liquid funds.

The World War upset precedent. It dislocated the machinery of business and destroyed the balance between supply and demand. It caused a pseudo prosperity—unreal and treacherous—that put the ability, judgment and skill of management to the severest test.

A good many didn't stand the test. Much of the capital that is now needed is because of lack of foresight, inability to distinguish the forest for the trees, and the giving way of reason to enthusiasm. **With many firms the need of money is but the symptom; the root of the trouble is faulty management.**

Of course no sweeping indictment can be made of all companies needing funds. The conservatively managed concerns who are the victims of the drastic and unexpected slump in the purchasing power of the farmer should not be classed with those mushroom concerns that never were on anything more than a speculative basis. The point is not merely to criticise but to draw some lessons from this critical period through which we are passing so that American business management can be made more safe and sound.

What then is the direct cause behind this excessive need for capital so that lessons can be drawn?

During the war the great majority of business houses expanded considerably in order to take care of a greatly increased volume of business. This expansion was represented, in most cases, by the investment of large sums of money in buildings, land, machinery, equipment, fixtures, etc.; in other words, in non-liquid assets. This enormous expansion threw the balance between liquid assets, such as cash, receivables and inventories and fixed assets such as buildings, machinery, equipment, etc., out of gear. Money which under pre-war conditions was available for payrolls and current purchases, is now frozen in investments which are of no immediate benefit to the business. The result—a lack of operating capital and consequent offerings of securities.

> IT is not possible to estimate accurately the number of business firms which fail owing to lack of banking support in times of stress. However, there is no doubt that a large proportion of the failures are due to this one factor. In publishing the views of national authorities as to the financial problems of the average business man, and how they should be solved, we believe that we are providing business men with a source of ideas and suggestions which can be of incalculable practical value to them in their future banking negotiations.

Many surprising facts have recently been brought to light. There have been instances where the normal volume of business would not furnish a profitable turnover if additional capital were furnished. It was found that the ratio of fixed assets to capital invested was so high as to make the investment of further capital prohibitive.

How to Prevent a Recurrence

How should an executive prepare to forestall such a condition ever occurring again? He should first of all know his business better. He should know the possibilities of his business and how near he is to attaining them. He should know what his current turnover will stand in the way of capital assets.

If he knows his business intimately and has the right perspective toward it he will be able before seeking additional capital to answer favorably the following questions:

Have you carefully analyzed the potentialities of your business before seeking additional capital?

Do you know that your business really needs more capital?

Would a request for capital be justified? What effect would additional capital have on your business?

Those who cannot answer these and other questions of management should lay plans to do so. An executive may be so situated that he has not had the opportunity to know all this detail but he is to blame if he does not lay plans to find out or have the information come to him.

Before Burdening Your Business—

Before burdening a business with excessive capital there should be a thorough analysis and an impartial determination made of the potentialities of the business. Upon the basis of such an analysis, a course may be laid out, which will be based upon what the business can be reasonably expected to produce. Such a plan has the merit, at least, of taking every advantage of the situation before committing the business to further responsibilities. It promises success for that business where the examination suggests a constructive program without contemplating additional commitments.

Is it more capital or more management that you need? Ask yourself this while bearing in mind that the new era just starting is one in which sound constructive management will assert itself. Now is the time to prepare.

The World Deflates

Prices All Over the Globe Reaching a Sounder Basis—Movement in United States Farthest Along—Can Old High Prices Be Reached Again?

By **E. D. KING**

THE war destroyed not only life, property, boundaries and the well-being of millions of human beings, but, in a large sense, many old-time standards of values. Except in the United States and to a somewhat lesser extent in Great Britain and her dependencies, prices today have but a distorted resemblance to those of former days. Just an illustration which is confessedly an exaggerated one of conditions in some countries: In certain parts of Southeastern Europe, where the ruble still has some form of nominal value, it costs the bewildered traveler something like 2,000 rubles for a glass (they don't use cups) of tea. In years gone by, the ruble was worth about 50 cents, so that ostensibly one nowadays pays the equivalent of $1,000 for a simple glass of tea in the Caucasus. Actually, however, with the ruble commanding an exchange value of about one-half cent, a glass of tea would cost only 10 cents in American money. The Russian, however, still has to dig up 2,000 rubles for his tea, and this is a much more difficult proposition for him than it is for the American traveler to pay out the equivalent of 10 cents in Russian currency. For the Russian, therefore, conceptions of values have become grossly distorted. The same is true of the German, Austrian, and to a lesser extent the Italian and Frenchman. Their old standards of price values have disappeared and they now think in hundreds where they used to think in tens.

It is for this reason that a study of world commodity prices has a somewhat fictitious or at least uncertain value because the depreciation of exchange rates has resulted in marking up foreign prices to fantastic proportions out of relationship with the old values. This works out more clearly in the instance of countries like Russia, Turkey, Poland, Austria and even Germany than it does in the case of countries like France and Italy. Great Britain, alone of the foreign nations, with the exception of some small neutrals, is in a class by itself. Nevertheless, there are resemblances between the price situation of various countries and certain conclusions can be drawn from an analysis of the course of world commodity prices which may be not without some value.

It is a commonplace but erroneous assertion that inflation in world prices commenced with the outbreak of the war. As a matter of fact, the sharp rise in prices during the war was a continuation of the upward movement which began in 1908 and became quite pronounced during the early part of 1913. The "high cost of living" was a familiar expression before the war not only in this country but in many European countries. This advance was halted temporarily during the latter part of 1913, and the abatement continued until the outbreak of the war in August, 1914. The causes were the lessening of world trade expansion, industrial depression in many countries and the exceptionally good world crops of 1912 and 1913, which resulted in lower food prices. On the whole, however, the decline in the general price level was barely appreciable.

COMMODITY PRICES AND EXCHANGE RATES
(as of Jan., 1921)

	% increase in commodity prices	% decrease in exchange rates as measured in dollars
England	130	20
France	350	65
Italy	500	80

FOOD PRICES IN SWEDEN
(per kilo, Swedish kroner)

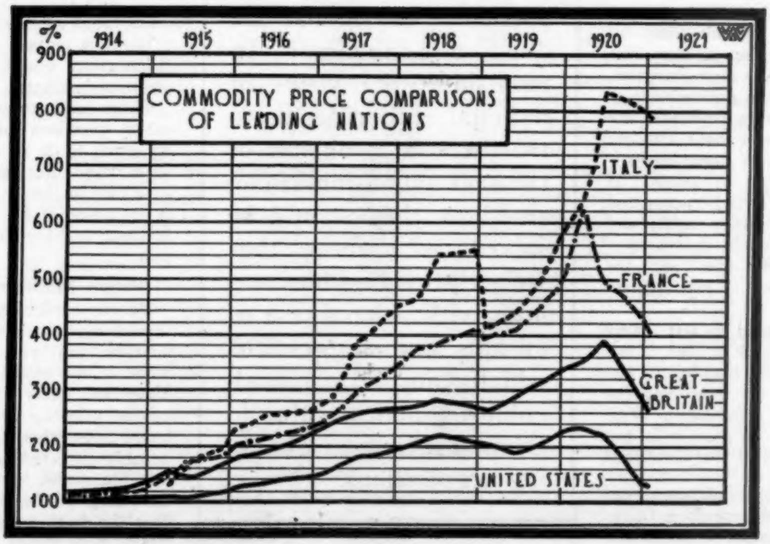
	1914	1920	1921 (Feb.)
Butter	2.43	6.25	5.13
Eggs	2.05	7.07	6.54
Steak	1.33	4.21	3.77
Calf meat	1.48	6.08	5.11
Mutton	1.63	5.42	4.34
Fish	1.58	5.43	2.98

It is interesting to speculate on whether the upward movement would have been resumed if there had been no war. From the end of the nineteenth century, the general trend of prices was upward. The slowly rising standard of living throughout the world and the opening of important markets in hitherto commercially inaccessible portions of the globe, resulted in a growing excess of demand over supply. Viewed from this broad, economic angle, therefore, it would seem that the general price level would have gradually become higher, even without the world disturbance which occurred.

Whether the war was or was not wholly to blame, it certainly provided a very great stimulus to higher prices throughout the world. By the beginning of 1915 the upward swing, which was to continue without interruption for almost four years, commenced in earnest.

For a time, the movement was irregular. Commodities and products which were in particular demand by virtue of their usefulness in carrying on production for war purposes rose more sharply than others. Commodities which advanced most at this time were wheat, sugar, provisions of various descriptions, certain metals, chemicals and leather. On the other hand, commodities which were more closely identified with peace-time uses declined. Among such were cotton, fuel, fish, building materials and other products not needed so extensively at the time.

These broad movements in prices were not confined to any particular country. They were world-wide phenomena. A better appreciation of this fact is gained by analysis of the chart herewith. This shows that the generally upward movement in prices with regard to the four principal nations (Russia and Germany are excluded on account of lack of statistical information) commenced almost simultaneously in each country, though in varying degree.



In the early war period, the biggest advance was in the case of Italian commodity prices, this being a natural sequence of the comparative weakness of Italy's economic position. French prices rose sharply, in almost the same degree as Italian prices, while the rise in British prices was more gentle. Prices also advanced in the United States, but not at all comparable to the rise in the instance of the aforementioned countries. The commodity price levels of the respective countries at the end of 1915 stood: Great Britain 165%,

France 182%, Italy 185% and the United States 114%. (Average 1913 prices equal 100%.)

The Advance Continues

When, in 1915, it became apparent that the conflict would be a long-drawn out affair, the upward movement became very much more pronounced than during the early part of the war, and prices climbed throughout the world almost perpendicularly and very rapidly. From that time on there was the unusual spectacle of a universal ascent in prices, practically without precedent in the history of the world. During this period, old standards of values tended to disappear and the world fell sharply away from its old-time conception of the relationship between the prices of various commodities.

The reasons for this tremendous advance in world prices were logical enough. No finer instance of the operation of the law of supply and demand was ever seen as applied to world prices in general. Demand for war materials resulted first, in the practically complete clearance of the world's surplus of goods, and second, in an unequal strain on the world's productive capacity.

This led to a situation in which price was of no consideration as compared with the necessity of getting materials which were more and more difficult to get every day. It was not until in the early part of 1917, when the United States entered the war, that production was speeded up to a point sufficient to cope with world demand, but it is a question, had the war continued much longer, whether even our increased output would have been sufficient to take care of the ever increasing absorption.

In the case of the enemy belligerents, the case was even worse, as they were shut off from practically all markets. Prices advanced at a terrific rate, particularly toward the end of the war. In Russia the situation was just as bad.

The War Ends

The advance in world prices continued without abatement right up to the end of the war in November, 1918. The signing of the armistice thereupon led to the stoppage of war industries and the world set about on the inevitable readjustment to trade and industry on a peace-time basis.

For a short time following, prices reacted somewhat. It is very interesting to see how this movement worked out simultaneously in the case of practically all the leading nations. (See graph.) After a few months of uncertainty, however, stimulated by the world-wide demand for goods, which had not been available for nearly five years, prices commenced to advance again, and this time the situation was somewhat reversed in that while most commodities gained, those that were particularly employed in promoting the war, declined very rapidly. On the whole, however, the general level of commodities reached its peak in this period, culminating in the highest prices in history during the summer months of 1920.

By that time, the havoc wrought by declining exchange rates became fully reflected in the price of goods in various countries. France and Italy were two conspicuous examples, as neither of these countries are large producers of raw materials and are compelled to purchase these abroad. This, of course, involved their exchange rates, and in turn, their domestic prices. As a result the level of French and Italian commodity prices stood extraordinarily high. By the summer of 1920, French commodity prices had advanced to a level about 400% above those of the pre-war period, and in the case of Italy about 500% above the pre-war level. At present Italian prices are about 700% above.

It was in this period that the highest prices were seen also in Great Britain and the United States, although in neither case did prices advance nearly as much as in France, Italy and other countries, whose exchange rates had become very seriously depreciated. Yet even Great Britain showed an advance of nearly 300% over the 1913 level, but in the United States the advance was only 120% at its peak. Much as we suffered from the results of inflation, the United States was the least sufferer of all in this respect, as its prices at their peak showed the smallest advance of any large nation.

Deflation Commences

It was only a question of time when the exhausted purchasing power of the world, combined with the financial evils resulting from inflation, would begin to operate to bring prices back to a more normal level. Events last spring in Japan were symptomatic of the general world situation. The panic there and the bursting of the war-boom heralded approaching events. They followed rapidly.

In every country, prices commenced to fall, in some cases more rapidly and in others not so rapidly. Italy was an exception and prices continued to advance in that country, but by that time this development had almost the same meaning as the advance in prices in Russia. The price of the lira had fallen to a very small part of its former value.

In the United States, the decline was most rapid and complete, which is very surprising considering that our prices at their peak were by no means the highest in the world. In England and France, deflation commenced to operate successfully and at the present time considerable headway has been made in this respect in these two countries. Nevertheless compared with our own wholesale prices, the price level of these two countries is still very high.

High Prices and Low Exchange

It is a striking fact that the highest prices exist in those countries with the most depreciated exchange. Germany, Austria, Hungary and Poland are good examples and, of course, there is always the case of Russia. An almost direct mathematical relationship exists between commodity prices abroad and the various exchange rates. The attached table on commodity prices and exchange rates indicates this clearly. Thus the lowest prices are in the case of England, whose exchange rates have fallen least of any important belligerent. The largest increase has been in the case of Italy, whose rates have fallen most of any of the important allied belligerents. Germany and Russia have been excluded on account of lack of available data, but the situation with regard to these two countries may be assumed to have worked out in about the same way as in Italy, only more intensified.

It is thus that a close relationship may be established between commodity prices abroad and exchange rates. The more unfavorable the rate of exchange the higher the domestic prices. Obviously in the instance of countries like Germany, Italy and even France it is hopeless to expect a reversion to anything like the old prices within a period of less than several decades, as it will take many years before their exchanges can "come back" if they ever do.

With regard to Great Britain, the situation is different as commodity prices are falling in about the same degree that exchange is advancing. As it is believed that within a few years, the pound sterling will be back to something like normal, one may justifiably draw the conclusion that living cost in that country will come down to about the same extent within the same period.

Conclusion

The United States, of course, is in the most favored position of any important nation. The dollar is at a premium in practically every country of the world and will remain so for many years, barring another war or some such calamity. Commodity prices here have been driven down almost within reach of the old levels and in this respect we have made more progress than any other nation. A glance at the attached chart tells its own story with regard to the soundness of our price structure as it is constituted today.

Despite the handicap of adverse exchange rates, most foreign countries, including the neutral nations, are making some progress toward lower prices. The attached table on prices in Sweden is fairly typical of conditions in the other Scandinavian countries and in fact in most neutral nations throughout the world. Prices have fallen in those countries, if not to an equal extent to the United States, at least as much as in the case of the stronger belligerents.

Investigation of world-wide conditions reveals the fact that deflation is universal. There are exceptions, such as Italy, but the situation in that country only contrasts all the more strongly with conditions elsewhere. In some nations such as the United States and Great Britain, the most complete progress has been made.

In others, such as France, progress has also been made but not very much. In others, such as Italy, no progress at all has been made. From all this it is difficult to make any general statement that will apply equally in all cases but one general conclusion can be drawn and that is that the high point of inflation has been passed and that considering the force of present economic circumstance, the chances that the old high prices will return are exceedingly remote.

Readjustment Slow and Irregular

Production Increases—Credit Gradually Strengthened—Prices Slowly Adjusting—Demand Irregular

By **H. PARKER WILLIS**

DEVELOPMENTS during the month of March tended to confirm the diagnosis already made of our business and credit situation—that the difficulties of the business organism were tending to become somewhat chronic and therefore would require constitutional remedies rather than treatment based on symptoms that have become too familiar. The fact that such is the case is demonstrated by the continued difficulty in foreign trade and lack of material improvement in that field; by a restoration of the habit of settling balances to us in specie rather than in goods or credits; by a further recession of prices; and by increasing evidence that readjustment of values will have to proceed much further than it has yet gone in order to bring about a freer and more active interchange of products.

The Level of Production

As is made clear from figures showing the level of production and consumption in important industries there has, however, been during the past few weeks a distinct improvement in the output of the country. This is seen in the movement of some staple products, especially lumber and coal, and is also seen conspicuously in the increasing output in the textile industries, notably in silk, in automobiles and in the revival of building. The steel industry, that general index of industrial conditions, still continues to report a decline. The continuous decline in the activity of the steel industry is one of the principal factors which seem to show that readjustment has not yet been fully effected; but whatever may be thought of it, it is not at the present time as significant an index of business prospects as is usually the case.

There has been an unmistakable even if limited revival in the activity of some other basic lines of business during the past thirty days. Although this is by no means general as yet, it is enough to show that there has been a seasonal recovery in output following upon better demand and that even in the absence of an improvement of foreign conditions in the near future there is good ground to hope for distinctly better business in many domestic lines during the next few weeks and months.

Foreign Trade

The domestic side of business, however, is still intimately associated with the movement of foreign trade and, as has often been pointed out, complete recovery in neither branch is practicable save in conjunction with the other. In round figures February exports, as reported late in March, were $490,000,000, and imports $215,000,000. As compared with January this shows an increase in imports amounting to about $6,000,000, and a reduction of our so-called favorable balance to $274,000,000 as against about $450,000,000 in January. This situation is in some respects desirable when viewed from the larger standpoint since, as is well known, there has long been a general feeling that our foreign trade had become excessive; and that it was not desirable to increase our balance so long as there were no definite means of settling it. The condition of foreign trade reflected in the graphs while on the surface unfavorable is thus in certain aspects to be regarded rather differently, since the falling off is after all a small one when compared with our great outstanding balance.

The significant aspect of our foreign trade this month is not, however, seen on the merchandise side of the situation but rather on the specie side. The fact that during the first three months of the year we have imported upward of $150,000,000 in gold seems to show that we have ceased the extension of credit to foreign countries in large measure and are endeavoring to resume a basis of settlement which relies upon gold primarily. This is a condition of affairs whch cannot continue long or, at all events, should it do so, should be possible only on a very much reduced basis of business. The fact that few foreign countries now have large gold stocks on hand, while practically all are on a basis of irredeemable paper, emphasizes still further the danger involved in the policy on the part of the United States which attempts to continue the trade upon a basis of gold settlement.

The tendencies in foreign trade which are revealed for February, by the figures published late in March, would seem to be still at work, judging from unofficial statements, and the condition of affairs is one which speedily calls for improvement. Steps that have been taken by officers of the administration at Washington since the opening of the month are therefore the more important and encouraging.

Money and Credit

After maintaining practically a stable level of cost during the past month or so there was early in April a distinct easing in the rates for call and time funds, although this was followed by a later reaction to a somewhat higher level especially in the case of call rates. Some speculative authorities have predicted a further reduction in rates for call funds within the next few weeks to very much lower levels. They base their predictions upon the belief that business depression will set free large volumes of bank funds and that accordingly demand will exceed supply, particularly in view of the well known fact that brokers' loans in the New York market are now at an extremely low figure, so that any change in the situation is likely to involve an increased use of such funds. This in ordinary times is a forecast which would be likely to prove accurate. In the present instance, for reasons that have already been stated in former issues, the countervailing considerations seem to have large force. These are, in brief, the strong demand for funds in every direction, the fact that many banks are still in a nonliquid condition, the circumstance that much new financing is ready to come upon the market whenever interest rates are modified sufficiently to encourage it, and a variety of other factors in the situation—all of which tend to emphasize the demand for loanable funds.

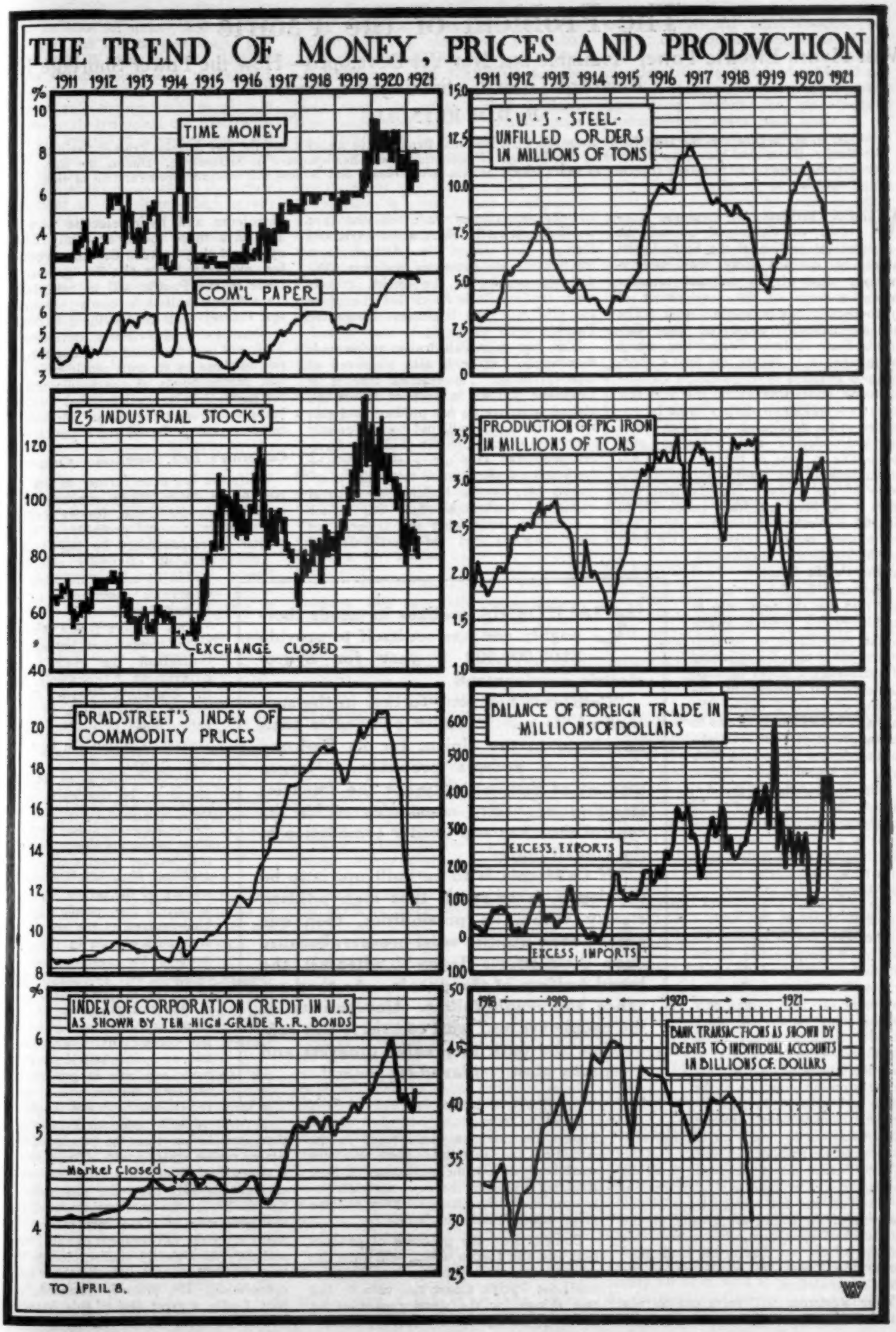
The public is now effectually out of the stock market and graphs showing the course of both stock and bond prices thus far afford but little indication of renewed interest, although minor signs of greater strength have appeared within the past week or two. The index of corporation credit, as shown in the accompanying graph, of only 545 leaves that business index not far from its position of a month ago, while the value of representative industrial stocks shows recession. Slightly lower money rates may induce a somewhat greater speculative or investment demand on the part of the public at large, but business depression and unemployment are making inroads upon accumulated savings and the tendency of this movement is correspondingly to reduce the extent of the calls made by the small investor for investment media. On the whole, it seems hardly likely that a permanently lower level of rates either for time or call funds, or any commercial paper, will soon be reached. The improvement of bank reserves has been due to the growth of specie stocks rather than to the reduction or liquidation of portfolios.

Prices and Buying Power

Bradstreet's index of commodity prices with a figure of $11.37 shows a still further falling off in the general level of values during the month of March, a decline which is paralleled by other business reporting agencies and by foreign index numbers as well. The revision of wholesale prices which had been supposed by some to have about reached its close, and which had materially slowed down during the month of February, has in some branches of industry evidently taken on renewed activity. This decline in prices is, however, being communicated more and more to the field of retail quotations and is accordingly having its effect upon the cost of living to the consumer.

The fact that the actual prices are contining to recede has naturally improved buying power or buying disposition, or both, on the part of the consumer, and indices of retail trade show the presence of a substantial buying demand in many parts of the country. The fact that this demand is better than expected finds corroborative evidence in the favorable earning reports made by some large distributors of goods, notwithstanding that so-called "mail order" houses which were proprietors of large stocks of over-priced commodities have suffered losses. The activity of credit, however, as illustrated in the graph showing debits to

(*Continued on page* 840)


THE TREND OF MONEY, PRICES AND PRODVCTION
TIME MONEY
COM'L PAPER
·U·S· STEEL·
UNFILLED ORDERS
IN MILLIONS OF TONS
25 INDUSTRIAL STOCKS
EXCHANGE CLOSED
PRODUCTION OF PIG IRON
IN MILLIONS OF TONS
BRADSTREET'S INDEX OF
COMMODITY PRICES
BALANCE OF FOREIGN TRADE IN
MILLIONS OF DOLLARS
EXCESS. EXPORTS
EXCESS. IMPORTS
INDEX OF CORPORATION CREDIT IN U.S.
AS SHOWN BY TEN HIGH-GRADE R.R. BONDS
Market Closed
BANK TRANSACTIONS AS SHOWN BY
DEBITS TO INDIVIDUAL ACCOUNTS
IN BILLIONS OF DOLLARS
TO APRIL 8.

The Problem of the Pacific

Vast Hydro-Electric Power Available but Not Yet Developed—How the Power Shortage Has Retarded Growth—Solving the Problem

By D. M. REYNOLDS

Mr. D. M. Reynolds is the Director of Research, First National Bank of Los Angeles, and the Los Angeles Trust & Savings Bank. He is also Managing Director of the Bureau of Economics, with headquarters in Sacramento. During the war, Mr. Reynolds was Assistant Director of the Council of National Defense and is now the western representative of this Council.

WHEN William D. Stephens, Governor of California, opened the present session of the State Legislature, he devoted more than twenty-five per cent of his biennial message to a discussion of the development of hydro-electric power in California. The current annual report of the California State Railroad Commission, which commission is, in reality, the final authority upon business development in California today, states that within the next few years two billions of dollars must be expended in the development of water power for hydro-electric and irrigation purposes—this in spite of the fact that California now is the leading oil producing State of the Union. For the past two years it has been practically impossible to pick up a Western publication which has not in some manner referred to the need for hydro-electric development on the Pacific Coast.

The cause for this lies in the fact that for the first time in its history the West is awake to the possibilities of its own future, but it took the rationing of hydro-electric power through California last summer, the rationing of gasoline during the fall, and the rationing of gas to the industries of Southern California during the winter to bring the lesson home.

With the signing of the Armistice the West found itself occupying a new industrial position in a new world—a world of changing ideas and ideals; with new conditions to be met, and new problems to solve.

Potentialities of the West

The West has found that the first of these problems is the creation for itself of the tools with which it m. . perform its future tasks. But it was only the rationing, on the one hand, of the economic forces above mentioned — forces needed to turn the wheels of industry and to carry on the irrigation of the State and on the other, an increasing demand which brought California face to face with the full seriousness of its problems.

The Pacific Coast believes that the potentialities for industrial development in the West and for foreign trade in our America of the future are greater on the Pacific than upon any other ocean—this because of the fact that in the lands bordering the Pacific lie two-thirds of the world's population.

Your westerner will point out to you that for centuries the pressure of peoples and the extension of trade relations have worked westward. First, across Asia and Europe; then across the Atlantic; and finally across the American continents. Today the peoples of the world in their westward march have circled the globe and now face their beginnings across the Pacific.

This fact your Californian understands thoroughly, and he is also convinced of another thing. He realizes that it is axiomatic that we in America cannot sell abroad what we do not produce, and that the Pacific Coast will not benefit greatly simply as a transhipment point for Eastern products. Our native sons—both by birth and adoption—state that what is required here is the building of a great system of workshops which will be for the Pacific trade what the factories of New England and the North Central States are for American trade in the Atlantic; and that into these Western workshops, as into the workshops of New England, will flow the raw materials developed in the Mississippi Valley and the great intermountain territory.

Comes, then, the problem of production and the forces which will turn the wheels for that production. Without coal, the Pacific Coast can turn to but two things for the development of its industry, its agriculture and its trade—petroleum and hydro-electric power—and until these forces are fully developed and they in turn develop products for overseas business, the growth of trade in the Pacific will be retarded.

California realizes its needs thoroughly, and has set itself to provide $100,000,000 a year for hydro-electric development. This sum is to be raised not alone through the purchase by its own people of a portion of the bonds of the public utilities companies sold to the investment bankers, but also through the direct purchase of common and preferred stock issues.

California's Rail Commission Co-operates

California has gone further in the support of its public utility companies than any State in the Union, for its Railroad Commission accepts probably a larger amount of responsibility for the financial standing of utility companies within its control than has any similar commission in the United States.

This support is not confined to the commission, but extends throughout the entire State government. For example, John S. Chambers, State Comptroller, in an outline of State policy given to the Bureau of Economics within the past few days, wrote:

"If California is to be built up, is to be developed, is to reach that high position clearly within its possibilities, then our great public utilities must prosper, because upon their efforts depends, after all, the broad welfare of the people. As they advance, the people follow. Unorganized as the people are and must remain in this connection, the path to greater progress and prosperity must be blazed for them.

"As transportation is enlarged and improved, as irrigation becomes more widespread and as hydro-electric power is made available in greater and greater quantities, so will grow the prosperity of the people.

"It is more necessary now than ever before that the people of this State realize this truth. They should realize that their prosperity in great measure depends upon the prosperity of the public service corporations, and that the prosperity of these corporations depends upon the development of the State; and they also should realize clearly that this can only come to pass if these great corporations are properly financed, and that, finally, a great deal of this financing must come from themselves.

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"There was a time when the West could turn to the East for money, and the East to Europe. But that time no longer prevails. Europe is down and out. And the East has almost enough to do to take care of its own wants. We may rest assured that under such circumstances money will not come westward unless the Eastern investors are assured of protection and good returns. They are concerned in dividends almost solely, while we, here, are concerned both in dividends and in the future development of our State, which means assured prosperity.

"The prospect facing California is by no means as encouraging as one might think. There will be some day a shortage of petroleum products. That we cannot develop as we should without these products or a substitute, is evident. In California we cannot turn to coal deposits, our sole substitute being the development of the hydro-electric power of the State. Upon that development, it seems to me, our future rests, at least in very large part. Tremendous sums will be required to harness the waters, that power may be delivered to men on the farms, to men in the cities and to men in industries.

"California is pre-eminently an agricultural State, her production along this line exceeding by many, many millions, the production of any other line. Agriculture, to reach its full development, must be assured of water and power. And if it is ever to become an industrial State, one worthy of the name, it again must be assured of power."

The rationing of motive forces which awoke California to its needs, was drastic. For weeks during the summer and early fall it was impossible to obtain a full gasoline tank at any automobile service station. During the winter the demands for natural gas were fully 50% greater than the supply, while the shortage in hydro-electric power for the year amounted to 20% of total demands.

In other words, in 1920, the various industrial and agricultural enterprises of California needed 100,000 horsepower more than they were able to obtain.

Real Meaning of the Shortage

In order to make apparent what this shortage really meant to the business of the State, it is necessary to translate this shortage of electricity into terms of every-day business.

The 100,000 H. P. of hydro-electric energy which California was short last year meant that we lacked power and light to serve 64,500 residences, 1,000 factories, and the power to irrigate 300,000 acres of land.

In addition to the service which this power would have rendered had it been available, it has been hammered home to the people of the State that in order to add this amount of power to California's available electric energy there would have been expended for each 50,000 horsepower developed, approximately $45,000,000 for the building of power plants, distribution systems, stations and other equipment. This expenditure, however, would have returned four-fold in the reclamation of lands lying idle and by the turning of wheels in factories now waiting to be built.

It was pointed out that expenditures in California, following such development, would have approximated $185,000,000 for new residences, $75,000,000 for factories capable of employing a total of 25,000 men, and $15,000,000 for the development of lands, while the annual yield from the manufactured products alone would have added a value of more than $100,000,000 to the State.

It is no longer necessary in California to point out that the shortage of hydro-electric power will increase year by year unless there is a steady and corresponding growth in the amount of hydro-electric energy coming in. The State has learned its lesson.

California has a potential maximum of 4,000,000 horsepower of hydro-electric energy to be developed, and intends to put that power to work.

Yet in spite of this very large potential capacity, there has been developed to date not more than 1,000,000 horsepower. This figure alone shows the extent to which development must now go forward to keep pace with and stimulate growth.

"Inside Capital First"

I quote from C. F. Stern, Superintendent of Banks of California, in a reference made by him to the necessity for raising the necessary funds within the coming ten years in order to carry out the power development program. Mr. Stern, after outlining the various plans for development, said:

"All of this development must be financed. We have only begun in California. The things that we have done are just the beginnings. We have only scratched the surface. We have only picked up the things that are easy and accessible and cheap. The big things are yet to be done. Only 3,000,000 out of the 101,000,000 acres in California are under irrigation systems at this particular moment.'

"Only a small percentage, less than 15 or 16%, of our valley lands have had water scientifically placed upon them. To go forward takes money, and it takes thought, and it takes more co-operation."

"Now, where is the money coming from? Every developing, pioneer state such as ours has had a creed to make its industries attractive for outside capital. California is going after 'inside capital' first."

REBUILDING THE WORLD'S BUSINESS

(*Continued from page* 814)

three or four cent mark as the maximum for a number of years to come. Our competitive prices in the world's markets must be fixed with these values in mind. About the only way we can overcome this handicap is by the employment of better salesmanship, better goods and better methods of production.

"To simmer it all down, the fundamental factors in the European situation which we must bear constantly in mind in planning our industrial future, are the following: The political instability of most of the European countries, national and racial jealousies and hatreds and suspicions engendered largely as a result of the peace treaty, a lack of working capital and a loss of purchasing power—enormous debts, deficits in budgets, extravagant governmental administration, and general depreciation in the value of currencies due to inflation. Then must be considered the need of foodstuffs and raw materials for years to come, and a present diminishing market for manufactured products—low wages made lower by exchange conditions, and a large surplus of labor which must find work or starve or migrate—the inability to pay present debts, with slight likelihood of paying future debts for some time to come in either gold or commodities which we can afford to accept.

"When the American investor realizes the opportunities at present for European investments, and acts accordingly, conditions in Europe will veer again towards stability with consequent profit to the investor, and welfare to the industries of this country."

LAVAILLE McCAMPBELL DISCUSSES COTTON

(*Continued from page* 813)

acquisition of the Knight properties brings its spindleage to 733,000. The corporation has 27 plants of which 25 are cotton mills, one a bleachery, and one a print works.

"I believe that the cotton manufacturing industry is passing or will pass through the same phases of development as oil and steel and tobacco, and that smaller units will be gathered together into larger units, and eventually these larger units into still larger entities. I regard the growth of our corporation as only a chapter in this larger program."

BUYING POWER OF FOREIGN MONEY

Tracing the effect on American business of the depreciation in foreign currency, *The Lamp*, official organ of the Standard Oil Co. (New Jersey) says:

Let us first examine the results of the decline in the currency of a neutral country. The average selling price of kerosene in Norway for six months of 1915 was .5429 kroner per gallon—in the same six months of 1920 the price was 1.8095 kroner per gallon. Expressed in kroner the increase in this selling price between 1913 and 1920 was 232.50%, of which 150% was due to depreciation in the kroner itself. If the value of the kroner had remained stationary the increase in the cost of illuminating oil to the consumer in Norway would have been extremely small as compared with the increased prices he has had to pay for other commodities.

The most extreme case of high cost to the European consumer resulting from a decline in the value of paper money is presented by Germany. The average price which the German paid for a gallon of kerosene during six months of 1913 was .8053 marks—in six months of 1920 the same gallon cost him 20.433 marks. This staggering increase in price of 2,446% would be unexplainable but for the fact that practically all of it, or 2,353%, is due to the depreciation of German funds as measured in the world's money markets.

The Bond Market

Oil Bonds the Feature

Strength Shown by Industrial Bonds—Rail Issues Dull—General Upswing Looked For

By **H. I. PERRINE**

WHILE the general bond market during recent market sessions has been characterized by the usual dullness that has been prevalent since the early part of March, there were certain sections of the list where trading was fairly heavy and where a slight tendency toward higher prices furnished a basis for the belief that the market is just about ready to emerge from its state of comparative inactivity. The movement in bond prices is similar in this respect to that in stock quotations. Just as after a prolonged decline in the stock market there is a period of backing and filling during which the price movement is uncertain and in which many false starts are made, so it is with the bond market. Since the low point touched last May, there have been two distinct occasions when every indication pointed to a sustained rise in the general bond list, but each time this advance was brought to an end by various disturbing factors.

The Movement of Averages

It will be remembered that bond prices touched their low level in May, 1920. At that time the average of forty representative corporation bonds stood at 57.29. It was in that month also that commodity prices reached the high point of their advance and began their abrupt decline which has since continued practically without interruption. The effect of these lowering commodity prices on interest rates was promptly reflected in the bond market by an upward movement which carried the average price of these forty bonds up to 62.07 in October, 1920, an advance of nearly 5 points in the space of five months. Then under the influences of a hardening money market, and heavy liquidation, both forced and to establish losses for income tax purposes, prices reacted to a level of 57.72 reached in December. Beginning in that month another move started which carried through to the latter part of January and brought the average back to 60.41. This movement was interrupted toward the end of January, the market being unable to stand up under the flood of new securities brought out at that time, and since then there has been a downward tendency accelerated to some extent, no doubt, by some tax selling in March and some liquidation of the old line issues to take advantage of the many attractive yields offered by the new securities. Failure of the money market to ease was also no doubt a deterring factor of no small importance. The falling off in the output of new issues, however, and the fair prospect of easier money is looked upon with much approval by investors and there is now every indication that the time is rapidly approaching when the demand for good securities will ssert itself and bring about a sustained rise in the investment market. Prices of high grade interest-bearing securities must inevitably reach a higher level in response to lowering commodity prices and easier money conditions and it is merely a question of time before this upward move starts in real earnest.

Industrial Bonds Have Done Best

Analysis of the list shows that industrial issues have given the best account of themselves and it has been the unusual activity and slightly higher price trend of a number of these securities that points the way to a much improved bond market in the not distant future. Several of these bonds have touched new high figures for the year and the heavy trading in them seems to indicate much higher prices. The new CUBAN AMERICAN SUGAR first mortgage collateral trust 8s, for instance, have shown a distinct upward tendency and recently crossed 101 as compared with their offering price of 100 when they were brought out in the middle of March. These bonds in addition to their excellent security and high yield have attached to them a number of strong investment features which further add to their attractiveness. The sinking fund provision calling for the setting aside of $250,000 quarterly beginning June 15th next to be used for the purchase of the bonds in the market up to 105 will operate to keep the market quotation on the issue close to that figure and appreciation of this fact has, no doubt, been the main factor underlying the recent strong market. Interest charges are comparatively small in relation to the large earning power of the company and purchasers of the bonds need have little fear as to the safety of their investment.

Another industrial bond whose market action is worthy of mention is the UNITED STATES REALTY & IMPROVEMENT 5s, due in 1924. These bonds have moved into new high ground for the year and are now up over 6 points from their low of 79¾ touched on January 3rd. While this advance may be said to have discounted to a considerable degree the improvement that has taken place lately in the conditions surrounding this company, the maturity date of these bonds is so close at hand and the yield obtainable on their purchase still so attractive that a further advance does not seem improbable. Last year these bonds ranged between a high of 84 and a low of 74.

Among other industrial bonds prominent in the trading were the WESTINGHOUSE ELECTRIC 7s, NORTHWESTERN BELL TELEPHONE 7s, AMERICAN SMELTING 5s, TIDEWATER OIL 6½s and U. S. STEEL SINKING FUND 5s on the up side and ATLANTIC FRUIT CONVERTIBLE 7s on the down side. Trading in the former two issues was particularly heavy and they appeared to be in great demand. The ATLANTIC FRUIT 7s broke to a new low record, their decline being attributed to the weak financial position of the company and the possibilities of new financing. The VIRGINIA CAROLINA CHEMICAL 7½s, issued late in 1920, were affected to some extent by the passing of the dividend on the common stock. The COPPER EXPORT ASSOCIATION notes have held up remarkably well in the face of their weakened security and the deadlock in the copper industry. Reports of further curtailment in copper production and the suspension of opera-

SOME RECENT OIL ISSUES.

	Maturity	Offering Date	Offering Price	Present Price	Decline
Tide Water Oil 6½s	1931	Feb. 1921	98¾	95½	3¼
Sinclair Oil 7½s	1925	May 1920	98	91	7
Pan American Pet. 7s	1930	Aug. 1920	94½	91⅞	2⅝
Texas Company 7s	1923	Mar. 1920	99	98½	½
Galena Signal Oil 7s	1930	Aug. 1920	100	93¾	6¼
Anglo Amer. Oil 7½s	1925	Mar. 1920	100	99⅞	⅛
*Stand. Oil of Cal. 7s	1931	Dec. 1920	100	102	*2
*Union Tank Car 7s	1930	Aug. 1920	96½	100⅞	*4⅜
*Stand. Oil of N. Y. 7s	1931	Dec. 1920	100	104	*4
*Atlantic Ref. 6½s	1931	Jan. 1921	99½	99⅝*	*⅛
Gulf Oil 7s	1933	Feb. 1921	98	95½	2½
Humble Oil & Ref. 7s	1923	Mar. 1921	99	96¼	2¾
Indiahoma Ref. 8s	1931	Mar. 1921	98½	98½	..
Invincible Oil 8s	1931	Mar. 1921	95	95	..

*Advance.

tions by some of the leading producers have evidently failed to shake the confidence of investors who hold these notes. The GOODRICH 7s were unaffected by the publication of the poor annual report and the rumors relative to new financing and possible suspension of dividends on the common.

Fair Trading in Rail Bonds

Transactions in some of the railroad bonds have assumed a fair proportion, particularly in those issues that have been affected by current earnings and news developments. Two issues are worthy of note in that they both reached a new high for the year, one the BURLINGTON joint 4s, due this July, and the other the ST. LOUIS SOUTHWESTERN TERMINAL 5s due in 1952. The former bonds in January were selling below 96, some uncertainty being felt at that time as to whether their payment at maturity could be arranged. Now that final arrangements have been made there is no reason why a price around par should not be maintained. The ST. LOUIS SOUTHWESTERN bonds have advanced from a low of 49 made last year. In 1917 they sold as high as 71⅛. At the present price the yield is still attractive and, no doubt, investors who desire a semi-investment issue will continue to pick them up in view of their improved position. The Cotton Belt has been a consistent earner in recent years and it ranks among the best of the rails in this respect. The market action of the new PENNSYLVANIA 6½s has been in strong contrast to that of the new CHICAGO & NORTH WESTERN 6½s. The latter have held close to the top of the year while the former have been heavily traded in at not far from the bottom figure. This counter movement is difficult of explanation in that the earnings of both of these roads recently have been similarly affected by the adverse railroad conditions. The shares of both roads have been under pressure and touched new low points for a number of years. In view of the analogy that may be drawn between the two roads, it seems very improbable that this price discrepancy will continue to exist.

Few Advances in New Offerings

Of the bond issues that have been brought out in recent months there are very few that are now selling at prices above the original offering figures. Among these few the bonds of the former STANDARD OIL subsidiaries occupy a prominent place due to their strong market tone. They have persistently refused to give ground even in the face of drastic cuts in the price of crude, and quotations on a number of these issues are now well above the prices at which they were offered to the public. The STANDARD OIL OF NEW YORK 7s, the STANDARD OIL OF CALIFORNIA 7s and the UNION TANK CAR 7s have been particularly prominent in this respect and now show advances of from two to four points.

Some of the independent oil bonds also have had a strong price tendency and have evidently been sought after by investors. This is all the more noteworthy in that the oil industry has just been undergoing a period of readjustment and has hardly yet had time to recover from the effect of the same. Radical price reductions have been made and earnings have no doubt suffered. The strength in the bonds, however, is based not on present conditions but on the outlook for the future.

The oil industry is one of the very few that can show an increase in consumption over the corresponding period of last year and the prospects for large earnings this year are excellent. Price reductions have been carried to a point where the industry is now on a stable basis and further price cuts seem highly improbable. Much of the accumulated surplus has been worked off and today the companies are facing a crude oil shortage which threatens to become world-wide.

All this points to unusually prosperous conditions for the oil concerns during the coming months and no doubt accounts for the unusual strength in the oil bonds.

The first oil bond of prominence that was offered in 1920 was the TEXAS COMPANY 7% issue, which was brought out in March at a price of 99. This is a short term issue falling due in 1923. The notes were issued in connection with the acquisition and development of additional producing properties, extensions to refineries, purchase of steamships, laying of new pipe lines and general expansion work. With the proceeds of this issue the company also wiped out its bonded indebtedness. The notes have always enjoyed a good market and have been held in high regard by investors, as well they might be in view of the large earning power behind them. In 1920 the Texas Company had an extremely successful year and rolled up the largest profits in its history. Today the company ranks as the largest independent in the oil industry.

The ANGLO-AMERICAN OIL 7½% issue followed shortly after that of the Texas Company. This is also a short term issue and falls due in 1925. The notes are not secured by a mortgage but are a direct obligation of the company and have an attractive sinking fund attached to them as well as other desirable features. The Anglo-American Oil Company is one of the junior Standard Oil subsidiaries and in recent years has developed a strong earning power. It now ranks as the largest and most important petroleum company in Great Britain. The investment standing of the notes is high and their market price well maintained.

The next oil issue to be offered in 1920 was the SINCLAIR 7½% note, again a short term security. At their present price these notes yield a trifle more than 10% and are down 7 points from their offering price in May of last year. Their low price may be attributed almost entirely to the fact that they were brought out at a time when the demand for bonds was at the lowest point of the year and consequently, they were poorly distributed. Since their issuance, however, the financial position of the company has greatly improved and there seems little reason to doubt but that their price will soon recover. Based on their merit the notes are selling out of line with the balance of the market. Sinclair Oil is one of the leaders among the independent oils and has large land holdings and valuable properties.

In August, 1920, the tendency in oil financing was toward ten year 7% bonds, a method of financing that was extremely popular at that time. During that month there were three issues of oil bonds, the PAN-AMERICAN PETROLEUM & TRANSPORT 7s, the UNION TANK CAR 7s, and the GALENA SIGNAL OIL 7s. The former two are equipment trust bonds and are secured in the case of the first issue by steamships and in the case of the second by tank cars.

The security is ample in each instance and the bonds are entitled to a high rating. The UNION TANK 7s are now selling some 4 points above their offering price, but the PAN-AMERICAN PETROLEUM 7s have fallen more than two points below the figure at which they were brought out. The discrepancy is no doubt due in some degree to the more established earning power of the UNION TANK CAR COMPANY. The GALENA SIGNAL OIL 7s are debentures and are not secured by a mortgage. They were brought out at a slightly higher figure than the other two issues, which may account in part for the decline in their price. Their convertible and sinking fund features combined with their present high yield merit consideration.

Two Attractive Standard Issues

In December last came the two attractive issues of Standard Oil 7% bonds, namely, the obligations of STANDARD OIL OF CALIFORNIA and STANDARD OIL OF NEW YORK. The former are ten year bonds but the latter are serial bonds running from 1925 to 1931. Proceeds of both issues were used for the purpose of carrying out an extensive expansion program and for increasing working capital. The investment merit of these two bonds is unquestioned and their market action since their issuance indicates that investors are not overlooking the opportunity to acquire such high grade bonds on the present attractive yield basis. The former bonds are selling at a premium of two points and the latter four points above the offering prices of par. In view of the large earning power behind these bonds and the huge assets that protect them, it is very improbable that they will ever sell much below par.

The ATLANTIC REFINING ten year 6½s were brought out in January of this year at 99½. They represented the first public offering of securities by the Atlantic Refining Company. In 1919 this company offered to stockholders $20,000,000 preferred stock, but aside from this the company had previously always financed its requirements from earnings. The offering of these bonds was of interest as indicating the downward trend of interest rates in the latter part of January. The bonds carried a 6½% coupon as compared with 7% coupons on the two previous issues of Standard Oil bonds offered in December. The purpose of the sale of the bonds was to reduce the company's accounts and bills payable but there is no doubt but that some of the proceeds were used also to purchase supplies of crude oil at the prevailing low figure. The Atlantic Refining Company is one of the largest of the Standard Oil refining organizations, has a large earning power and is in a strong financial position. The bonds will doubtless maintain a level close to their par value.

In February two other oil bonds were issued, one the TIDE WATER OIL ten year 6½s and the other the GULF OIL twelve year 7s. Both are now selling somewhat below their original offering figures but the earnings outlook and future prospects of the companies leave little doubt as to their ultimate selling level.

International Mercantile Marine Co.

A Bond Worth Looking Into

Analysis of International Mercantile Marine First Mortgage Sixes of 1941 Shows Them to Have a High Degree of Security—At Present Prices the Yield Is Over 8%—Prospects of the Company

By **J. R. CRANDALL**

FOR those investors looking for a well secured long term first mortgage bond of high yield and ready marketability, the International Mercantile Marine First Mortgage and Collateral Trust 6% Bonds of 1941 are suggested as worthy of consideration.

The writer fully realizes that existing foreign trade conditions are far from satisfactory and that there is considerable apprehension at the present time concerning the future outlook of the shipping companies. But, in his opinion, the International Mercantile Marine Company has so firmly intrenched itself in the past six years of great prosperity that it has enjoyed, that the safety of both principal and interest of these bonds is assured, almost regardless of how bad conditions may get.

At any rate, here are the facts:

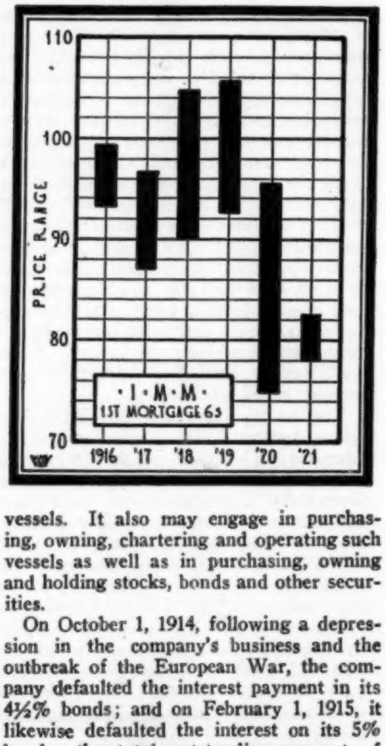
Description of Bonds

The first mortgage and collateral trust gold 6% bonds are dated October 1, 1916, and mature October 1, 1941. They are authorized in amount of $50,000,000, of which, at the close of 1919, $38,250,000 were outstanding; $1,250,000 retired by the sinking fund; $500,000 held in the Treasury, and the balance of $10,000,000 unissued. (Unissued bonds can only be used for the acquisition of ships, securities or other property to the extent of 85% of actual cost, and in no case exceeding the fair market value thereof.) Bonds are issued in coupon form in denominations of $1,000 and $500 or they may be fully registered in the larger denomination. Principal and interest are payable in gold coin of the United States, without deduction for any tax or taxes which the company may be required to pay or retain under any present or future law. The bonds are listed on the New York Stock Exchange.

The bonds are secured by a first mortgage on all the property of the company of whatsoever kind, nature or description, and wheresoever situated, now or hereafter owned by it and by deposit and pledge of practically the entire capital stocks of subsidiary companies. A cumulative sinking fund provides for the payment to the trustee of 1% annually of the total amount of bonds issued, to be applied to the purchase of bonds in the open market or their redemption by lot at not over 110 and interest. As the total amount of bonds that have been issued is $40,000,000, the annual amount of the sinking fund amounts to $400,000, which at present prices is sufficient to purchase and redeem about $500,000 par value of bonds.

History of the Company

The company was incorporated on June 6, 1893, under the laws of the State of New Jersey, as the International Navigation Company, the name being changed to its present title on October 1, 1902. Under the terms of its charter the company was formed to engage in the transportation of passengers, mails, live stock, goods, merchandise and property of all kinds between various parts of the world by means of



vessels. It also may engage in purchasing, owning, chartering and operating such vessels as well as in purchasing, owning and holding stocks, bonds and other securities.

On October 1, 1914, following a depression in the company's business and the outbreak of the European War, the company defaulted the interest payment in its 4½% bonds; and on February 1, 1915, it likewise defaulted the interest on its 5% bonds; the total outstanding amount of the two issues amounting to upwards of $70,000,000. These defaults brought about a more or less "friendly" receivership, P. A. S. Franklin, a vice-president of the company (now president) being appointed receiver. This receivership could have undoubtedly been avoided, as the earnings were only very slightly below the interest requirements, but a rather small working capital, and the hysteria that accompanied the outbreak of the war made the protection of a receivership seem the most desirable course to follow.

The huge war profits, which soon began to roll in, made possible the effecting of a plan of reorganization, whereby the old 4½% and 5% bonds (then totaling approximately $78,000,000, with accrued interest) were retired, holders thereof receiving 57% in the new 6% bonds, 43% in cash, and the full amount of all unpaid coupons and accrued interest. On October 3, 1916, the receivers were discharged and the reorganized company began business with its funded debt reduced by nearly one-half, and fixed charges in proportion. This reduction in funded debt is important to bear in mind, as particular reference will be made to its significance further on in this article.

Properties Under Control

The steamship lines operated and under the control of the company comprise the White Star, Red Star, American, White Star-Dominion, Atlantic Transport, Dominion and Leyland. Table I gives a summary of the subsidiary companies and the amount of stock owned by International Mercantile Marine as of May 1, 1920. The total fleet of the company, including the steamers of companies, all of whose stock is owned, together with steamers of Fred-

TABLE I.—SUMMARY OF SUBSIDIARY COMPANY OWNERSHIP
(May 1, 1920).

Name of Company	Outstanding Capitalization	Percentage owned by Inter. Mer. Mar.
International Navigation Company, Ltd.		
Capital Stock	£700,000	100%
Share Lien Certificates	25,000,000	100%
Societe Anonyme de Navigation Belge-Americaine.		
Capital Stock	Fcs. 13,845,000	100%
Atlantic Transport Company.		
Capital Stock	$3,000,000	100%
Frederick Leland & Co., Ltd.		
Preference Shares	£1,414,350	41.5%*
Ordinary Shares	1,200,000	98.7%*
Oceanic Steam Navigation Co., Ltd.		
Capital Stock	3,750,000	100%
British & North Atlantic Steam Navigation Co., Ltd.		
Capital Stock	456,920	100%
Atlantic Transport Co., Ltd.		
Capital Stock	1,000,000	100%
Shaw, Savill & Albion Co., Ltd.		
Preference Shares	195,375	0.2%
Ordinary Shares	195,375	44.2%
Geo. Thompson & Co., Ltd.		
Preference Shares	150,000	99.2%
Ordinary Shares	50,000	100%
Management Shares	50,000	100%
Holland-American Line.		
Capital Stock	Guilders 20,000,000	10.4%
New York Shipbuilding Corporation.		
Capital Stock	200,000 shs.	16.5%

erick Leyland & Co., Ltd. (since the end of 1919, International Mercantile Marine has acquired practically every share of Leyland), at June 30, 1920, totalled 106 ships, having a gross tonnage of 1,013,993 tons. Thus the first mortgage 6% bonds are outstanding at the extremely low rate of $37 per gross ton. The average cost of this shipping was probably about $100 a ton at the least, while during the past few years vessels have ranged in price from $150 to $300 a ton, and in some cases even higher. The company has from time to time taken up with the United States Shipping Board the matter of reconditioning and taking over a number of the seized German ships, including the *Leviathan*, and arrangements on this score may be completed at any time. Not long ago the purchase of the 56,000-ton *Bismark*, the largest ship afloat, from the Reparations Committee was announced, which vessel is to be rebuilt and operated in the service of the White Star Line as the *Majestic*.

The company has under lease from the City of New York piers Nos. 58, 59, 60, 61 and 62, North River, running until 1940. It also owns the large office building, No. 1 Broadway, which it has just completely remodeled, and in addition various terminal and other properties and facilities in Antwerp, Liverpool, London, Southampton, Montreal, Boston, Philadelphia, New Orleans and other ports.

Strong Financial Condition

In Table II is given a condensed balance sheet at December 31, 1919, compared with December 31, 1914, showing how the company has strengthened its position over the war period. The company's cash position is strong, showing net current assets (working capital) of $23,523,064, equal to 50% of all outstanding bonds. Of the current assets, it should be noted that over $55,000,000 is in cash and marketable securities.

The property account represents the combined undertakings and their properties at cost to the International Mercantile Marine Company, and the decrease that is shown from 1914 is due solely to depreciation, as there has been only a slight change in actual tonnage. In fact, the property account before the deduction of depreciation amounted to $199,873,680 at December 31, 1919, as against $193,274,936 as of December 31, 1914, the amount shown for depreciation being $44,754,994 at the close of 1919, compared with $23,526,592 in 1914, indicating that $21,228,402 had been set aside from earnings during this period. Investments in other companies represent the investment in Frederick Leland & Co., Ltd., and in those companies whose entire capital was not owned. The Leland holdings are carried at $11,969,684, but as International Mercantile Marine has acquired practically every share of this stock, the 1920 balance sheet will probably show the assets and liabilities of that concern consolidated with Marine, with a resultant net increase in total assets.

The net worth of $202,928,644, after deducting the $9,379,658 obligations of subsidiary companies, shows a balance of $193,548,986 available for the $38,250,000 first mortgage 6's. This is the equivalent of over $5,000 per $1,000 face value of these bonds outstanding.

In addition to these increases in assets the company has reduced its total bonded debt, including subsidiary companies, by $35,404,455.

The result of these changes is shown in Surplus Account and Sundry Reserves (which are little more than an apportionment of surplus), indicating that the company bettered its condition in the five year period by $48,332,176.

TABLE II.—COMPARATIVE BALANCE SHEETS
Showing improvement in condition.

	Dec. 31	Dec. 31	Inc. or Dec.
Current Assets:			
Cash	$18,909,587	$4,251,478	$14,658,109 Inc
Marketable Securities	36,563,087	479,104	36,083,983 Inc
Receivables	31,823,448	5,598,597	26,224,851 Inc
Inventories	1,936,040	819,492	1,116,548 Inc
Total Current Assets	$89,232,162	$11,148,671	$78,083,491 Inc
Current Liabilities	65,709,097	8,813,035	56,896,062 Inc
Net Current Assets (Working Capital)	$23,523,065	$2,335,636	$21,187,489 Inc
Property Account (depreciated)	155,118,686	169,748,244	14,629,558 Dec
Investments in other Companies	18,136,179	14,893,502	3,262,677 Inc
Other Assets	6,140,714	3,033,872	3,106,842 Inc
Net Worth	$202,928,644	$190,011,254	$12,917,390 Inc
Available for:			
Subsidiary Company Debenture Bonds, etc.	$9,379,658	$12,808,113	$3,428,455 Dec
I. M. M. Bonds	38,250,000	70,226,000	31,976,000 Dec
6% Preferred Stock	51,725,500	51,725,721	221 Dec
Common Stock	49,872,000	49,872,110	110 Dec
Sundry Reserves, etc.	23,422,944	4,412,842	19,010,102 Inc
Surplus	30,278,542	966,468	29,312,074 Inc
Total	$202,928,644	$190,011,254	$12,917,390 Inc

Liquidating Values

If the company were to liquidate today, under the extremely unfavorable existing conditions in the shipping industry, the average price which its vessels could be expected to realize at forced sale would probably be in the neighborhood of $50 a ton, a total of over $50,000,000. Adding to this figure the value of the net current assets, which have undoubtedly increased over 1919 and which will probably be shown at from $25,000,000 to $30,000,000 at the end of 1920, it is evident that from these two items alone a sum could probably be realized amounting to nearly twice the total outstanding debt of the company. And this estimate does not take into consideration any valuation for real estate, terminals, wharfs, docks, piers, leases, investments in other companies and other miscellaneous items. In other words the company would only have to liquidate its net assets at something less than 20% of their depreciated book value in order to pay the bondholders off, dollar for dollar.

TABLE III.—NET INCOME AVAILABLE FOR FIXED CHARGES.
After deducting depreciation and taxes.

	Net Income Available for Fixed Charges	Fixed Charges	Times Earned
1910	$4,668,875	$4,021,633	1.16
1911	4,191,357	3,964,290	1.06
1912	3,732,317	3,896,414	0.96
1913	5,878,265	3,850,069	1.53
1914	3,310,585	3,613,113	0.91
1915	17,387,571	3,805,910	4.57
1916	25,475,185	3,696,023	6.88
1917	14,551,826	2,798,217	5.20
1918	12,428,789	2,789,763	4.07
1919	15,903,459	2,737,345	5.81
1920*	10,200,000	2,700,000	3.77

*Estimated by Company.

Remarkable Earnings Record

A record of earnings, from 1910 to date, is given in Table III. It will be noted that in no year did earnings run below *present* fixed charges. Even in 1914, the poorest year in the company's history and the year which brought about the receivership, the income available for fixed charges amounted to more than $500,000 in excess of the present fixed charges. As has been pointed out, the reorganization which took place in 1916 practically cut the outstanding funded debt in two, reducing fixed charges substantially in proportion, so that the company's future earnings can fall considerably below the 1914 level without endangering the current interest and sinking fund charges.

In the years previous to 1910 the earnings had always been sufficient to meet the fixed charges, which since 1902 had been in excess of $4,000,000 per annum. During the war period the company enjoyed great prosperity, total net earnings, after all charges, for the five years 1915 to 1920, inclusive, amounting to $69,917,471 or a yearly average of practically $14,000,000 over and above fixed charges.

In the final analysis the principal factor to consider is whether the company will be able to maintain its earning power under post-war conditions. International Mercantile Marine certainly has a decided advantage over many of the companies with whom it will compete for the following reasons:

A large percentage of shipping now in existence was built during the period of war inflation at prices ranging from $150 to $300 per ton against Marine's cost of about $100 per ton. This means a considerable advantage in overhead for Marine and would enable them to operate at a profit under conditions where high cost ships would lose money.

The company has been through the development period of its existence. It has established trade routes through its subsidiaries and a good will has been built up that naturally accompanies a well established business.

Although International Mercantile Marine itself is an American owned and controlled company, the greater part (approximately 80%) of its tonnage flies the British flag and has the advantage of operating under British sea laws. Present costs of operating American ships are said to be approximately 10% greater than of operating vessels of British registry.

The company is in a strong working capital position whereas before the war it was greatly hampered on this score. To-day it probably has over $50,000,000 of cash or cash items at prevailing rates of exchange.

Earnings in recent months tend to prove the company's earning capacity under competitive conditions. The last half of 1920 was anything but favorable to shipping yet in spite of unfavorable operating conditions earnings for the year, as estimated by the company, will not fall very far short of those of 1918.

Summing up the investment position of the I. M. M. 6's we find:

That the net assets, after deducting depreciation, amount to more than $5,000 per $1,000 face value of bonds outstanding.

That at forced liquidation, vessels and net current assets alone would probably bring over twice the amount of outstanding debt.

That fixed charges have been scaled down to such a degree that earnings, even in the company's poorest year (1914) amounted to more than $500,000 above present fixed charges.

That the company has a large working capital to carry it through any immediate slump in business which may be pending.

At the present price of about 79 the bonds are selling very near their low mark and yield over 8% on the investment. They appear attractive on this basis.—vol. 26, p. 689.

The Trend of Recent Financing

Number of New Issues Expected in Early Future—Industrial Companies Still Most Prominent—Recent Issues Analyzed

DURING the past few weeks the Street has been filled with rumors of new financing. Fresh weakness in any stock on the Exchange has been invariably accompanied by reports that the company concerned is in need of funds. While there is little doubt but that in several instances reports of this kind have been circulated for ulterior motives, still there have been a number of cases where such rumors have later been substantiated. Consequently it seems reasonable to expect that a fair percentage of the companies mentioned in this connection will shortly be in the market for funds.

Oil Company Financing Looked For

Prominent among concerns whose names have been linked with new financing are a number of the oil companies. In recent months several of the oil companies have brought out issues of bonds for one purpose or another and the yield basis on the same has compared favorably with that derived from much weaker securities. The market action on these oil bonds has been exceedingly good as will be noted from the special comment on same in another article in this issue. In spite of the heavy financing by these oil concerns during the past twelve months it seems likely that there will be many additional issues of this nature brought out, since the funds derived from the sale of bonds can be used to great advantage in acquiring new properties, expanding existing facilities and purchasing and storing crude oil supplies.

Among other companies whose names have been used in connection with possible new financing are: New York Telephone, Canadian Pacific, International Harvester, United Drug, Columbia Gas & Electric, Chicago & Northwestern, Atlantic Fruit and the French Government. Officials of some of these companies have denied the reports current concerning them, and it is quite possible that rumors may have been circulated to create weakness in the stocks affected.

A glance at the accompanying table shows that industrials still occupy the prominent place in financing, just as has been the case since the first of the year. Of the $700,000,000 corporate financing accomplished since January 1, more than $400,000,000 has been accounted for by industrial issues. This predominance of industrial financing has been brought about of course largely by the business readjustment of last year which was particularly severe on the industrial concerns. Of the industrial issues given it will be noted that three are the obligations of oil companies. Municipalities have also been rather prominent in recent financing, but public utilities have contributed only a small amount to the total. Railroads did practically nothing. Details of some of the new issues are given below.

CURRENT BOND OFFERINGS.

Issue	Maturity	Offering Price	Yield
Government, State, Municipal.			
$500,000—Porto Rico 4½s	1941-42	To Yield	5.50%
2,000,000—Cook County, Ill., 4½s	1925-37	To Yield	5.70 to 5.20
2,175,000—City of Seattle 6s	1927-41	100	6.00
112,000—City of Rome, N. Y., 5¼s	1931-41	To Yield	5.00 to 4.90
200,000—City of Corning, N. Y., 5½s	1922-00	To Yield	5.50 to 5.00
1,079,000—Monmouth County, N. J., 6s	1926	101.40	5.70
Industrials.			
$20,000,000—Vacuum Oil 7s	1936	100	7.00
1,500,000—Temtor Corn & Fruit Prod. 1st & Coll. Tr. 8s	1922-31	To Yield	8.25
3,000,000—Invincible Oil Conv. S. F. 8s	1931	95	8.75
2,000,000—Indiahoma Ref. S. F. 8s	1931	98½	8.25
1,000,000—Clinchfield Coal S. F. 8s	1931	100	8.00
7,000,000—Winchester Repeating Arms 1st 7½s	1941	97½	7.75
Public Utilities.			
$1,660,000—Denver Gas & Elec. Gen. Mtg. 7½s	1946	96	7.85

VACUUM OIL—15 YEAR—7s

This company, a former subsidiary of the Standard Oil Company of New Jersey, is one of the oldest and most firmly established oil concerns in the world. It specializes in the manufacture of high-grade lubricants for every kind of machinery, and has built up an enviable earnings position. The entrance of such a strong oil company into the investment market furnishes an excellent testimonial as to the extremes to which the oil concerns will go to take advantage of the present situation.

This offering marks the sixth time since last December that the Standard Oil group has entered the market for new funds. Last December both the Standard Oil of New York and the Standard Oil of California floated issues of bonds, to be followed early in the year by the Atlantic Refining issue and then later by the Tide Water Oil and Humble Oil and Refining offerings.

The present offering was made to the public on the same basis as those of last December, i. e., a 7% bond at a price of par. The bonds will run for fifteen years and will be outstanding in the amount of $20,000,000. The company covenants to set aside annually the sum of $500,000 in quarterly instalments of $125,000 each to be used to purchase bonds if obtainable at not over par and accrued interest. During the past five years earnings of the company have averaged an amount equivalent to more than six times the maximum annual interest on this issue. The bonds will no doubt have a ready market at all times and will be held in high regard by investors.

WINCHESTER REPEATING ARMS—7½s

This was the second largest industrial issue of the past two weeks, the amount outstanding being $7,000,000. The bonds run for 20 years, and were brought out at 97½, at which price they yield the purchaser about 7¾%. They are a closed first mortgage on the entire manufacturing plant in New Haven, and have a large earning power behind them. They were issued for the purpose of retiring current bank loans, the same thus being funded over a period of twenty years.

INVINCIBLE OIL CONVERTIBLE 8s

These bonds were offered to the extent of $3,000,000 at a price of 95 to yield over 8¾%. The net assets of the company according to the latest balance sheet amount to over $21,000,000 or 7 times the outstanding amount of these bonds and over three times the total funded debt of the company, authorized to be issued. The bonds are surrounded with attractive sinking fund and convertible features and are protected by a large earning power. They will run for a period of 10 years.

(*Continued on page* 868)

How to Invest $10,000

Eleven Bond Issues Available at Attractive Prices—Reasons for Selecting Them—How the Investment Grows Into $65,000 in Twenty-five Years

By J. L. CHEATHAM

THIS article is intended for the consumption of people having $10,000—or thereabouts—to invest in securities and who are a little uncertain what securities to select. These people are assumed to be in search of the highest return on their money commensurate with reasonable safety. In other words, they are assumed to be anxious to **invest intelligently.**

After a careful combing over of the investment field, the writer has decided in favor of a group of 11 bonds, including 2 foreign municipal and State bonds, 1 railroad bond, 4 industrial bonds and 4 public utilities. He will be promptly challenged, no doubt, for advising bonds, and bonds only, so he asks a few moments in which to outline his reasons for this decision.

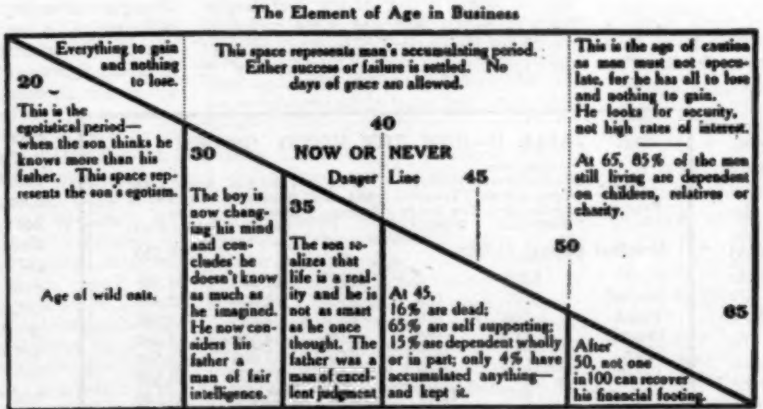
The Possibilities in Bonds

The possibilities contained in systematic and conservative bond investments are fully appreciated by very few people. It is generally recognized and agreed that bonds are good to the extent that they supply the conservative man with a reasonably certain return on this investment. On the other hand, there is a very general belief that high-grade bonds yield entirely too little interest to be attractive to the average man. As a result, the man of small means, and often the wealthy, pass by this surer gateway to financial independence and, either in the broad field of speculation or else in one of the ever-present get-rich-quick schemes, they endeavor to reach the goal too quickly. For every one that succeeds in obtaining wealth in one of these latter ways there are scores who lose their all; and for every one who fails under the quick-and-easy plan, there is one who might have succeeded had he only been content to make haste slowly.

It is the old story of the tortoise and the hare.

No better picture of the disastrous results of thoughtless haste has been devised than the accompanying chart "The Element of Age in Business," which is copyrighted by THE MAGAZINE OF WALL STREET. Prepared from actual statistics, it shows that 85% of our men are financially dependent at the age of sixty-five. Misfortune, or plain Hard Luck, may account for a portion of these failures; but it is a frank, and a brutally frank, fact, that most of them might have been prevented had brains, caution, mental energy and, above all conservatism, been the guiding forces of their youth instead of recklessness and a consuming gullibility.

The Element of Age in Business



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Few of us look beyond the present; we are too often willing to "bet on a long shot"; we do not realize that, even though we may win at first, the very methods which made our first successes possible will work toward the ultimate loss of all our winnings.

The slow and sure way is the best. And, undramatic, prosy and every-day as it may seem, it is a remarkable fact that this method not only assures large financial rewards in a decent length of time but also opens up undreamed of possibilities in other directions.

The History of Bond Financing

A bond is one of the most convenient forms of investment security. The theory and practice of bond financing have been in use for many hundreds of years. So far as Europe is concerned, the idea originated some 750 years ago when the City of Venice floated a bond issue for the purpose of constructing a fleet of war-vessels to uphold her foreign policies. [It is interesting to note, *en passant*, that the rate of interest on this original issue—4%—corresponds quite closely with our general rate today on high-grade bonds.] From that time on, the bond plan has been increasingly used, going through various developments of course, to suit the varying needs of the times; and today it is as near perfection as experience and care can make it.

It would be quite as absurd to claim entire safety for a bond chosen at random as it would for a mining stock drawn out of a sack. No investor can afford to "pick" any security issue in this fashion. But the fact is that a well-chosen bond, purchased under favorable economic conditions, is an ideal investment for man or woman, and the type in which he or she is least likely to make a costly mistake.

The conditions prevailing today make the present a most opportune time for investing in well-seasoned bonds. Not since the Civil War have investors been offered such unusual profit possibilities.

Periods of high interest rates and high commodity prices have always caused low bond prices; when the industries and credit conditions of a country get back to normal, interest rates and commodity prices go down and bond prices go up. We have just passed through one of the most severely inflated periods in our history; and, with deflation, we are almost certain to see, eventually, a decline in interest rates to correspond with the recent drop of commodity prices, and a complementary advance in bond values.

Here is the idea: After a severe panic, or a world-wide business depression, business men are too discouraged, or too timid, to embark on new ventures. Everyone draws in his funds and curtails his expenditures. The result is that, while people earn less they also spend less and save much more. Inevitably, their funds accumulate in the banks which, to pay interest on their deposits, must invest these funds. Being banks, they place their money in the most conservative mediums; and because bonds, as a group, rank so high they are among the first to feel the effects of this demand.

After a period of depression, the upward move in bond prices may be checked from time to time (as it has in the recent past) by a too liberal offering of new securities. Occasional reactions are almost certain to occur. But the long trend will be upward, and only another cataclysm, such as the one we have just passed through, can suffice to stay it.

At the present time, the opportunities offered by long term investments are unique, and as a rule long-term issues should be favored by the average investor. Strange as it may seem, the interest on a 20-year bond, together with the purchasing power of this interest, is of much more value than the principal. If more people understood this there would be less mistakes and smaller losses suffered in the making of such investment. Too often, unskilled advice is given the new investor, and when he should be told to purchase short term securities he is advised to buy long-terms, and vice versa. Investors should, for their own protection, obtain the best advice possible. Savings which have taken years to accumulate should not be placed in some enterprise merely because some friend thinks it a good investment. The friend may sin-

cerely believe it to be a good investment, but absolute certainty is necessary; his opinion will have no value if it be contrary to the fundamental laws of investing.

There, briefly, are the writer's reasons for advising bonds for the man or woman with $10,000 to invest. Now for the individual issues selected and the reasons for their being selected.

The Tables

In Table I are shown the investments which have been selected as attractive issues in which to place an original investment of $10,000. In this selection due consideration has been given to diversification, the coupon rate, the safety of the issue and the other factors of investment importance.

TABLE I.—HOW THE $10,000 IS INVESTED.

Name of Issue	Maturity Date	Price Paid for Bond at Recent Market	Straight Income Yield	Yield to maturity	Annual Income	Earliest Redemption Price	Offering: Price for Latest Issue	Offering: Date	Amount of Issue Outstanding	When Interest is Payable
‡City of Berne 8s	1945	$960	8.3	8.4	80	107	99	Nov. 1920	6,000,000	May & Nov. 1
‡State of San Paulo 8s.....	1936	975	8.2	8.9	80	105	97½	Mar. 1921	(b) 24,000,000	Jan. & July 1
§Grand Trunk of Canada 7s..	1940	1,025	6.8	6.7	70	102½	100	Oct. 1920	25,000,000	Apr. & Oct. 1
‡Union Tank Car Eq. 7s.....	1930	1,007	6.9	6.9	70	102⅛	96⅛	Aug. 1920	12,500,000	Feb. & Aug. 1
‡Amer. Agr. Chem. 7½s.....	1941	973	7.7	7.7	75	105	97⅛	Jan. 1921	30,000,000	Feb. & Aug. 1
‡Westingh. El. & Mfg. 7s...	1931	992	7.0	7.1	70	100	94¾	Oct. 1920	30,000,000	May & Nov. 1
‡Wickwire Spencer Sh. 7s....	1935	925	7.6	7.9	70	105	100	Jan. 1920	12,500,000	Jan. & July 1
‡Duquesne Lt., 1st & coll. 6s	1949	900	6.7	6.8	60	105	85	July 1920	31,718,500	Jan. & July 1
§Pac. Gas & El. gen. & ref. 5s	1942	773	6.5	7.1	50	105	93¾	Jan. 1917	36,542,000	Jan. & July 1
†Bell Tel. of Penn. s. f. 7sA	1945	(a) 515	6.8	6.7	35	107½	95	Sept. 1920	25,000,000	Apr. & Oct. 1
†Northwest Bell 1st 7sA.....	1941	975	7.2	7.2	70	107½	96½	Jan. 1921	30,000,000	Feb. & Aug. 1
Total		$10,020	7¼		730					

(a) $500 bond; all the rest are $1,000 bonds. (b) Approximate: Made up of dollar, sterling and guilder bonds. † Smallest denomination, $100. ‡ Smallest denomination, $500. § Smallest denomination, $1,000.

As to diversification, the list includes foreign municipal and foreign state bonds with attractive yields combined with safety; railroad and equipment issues; industrial corporation bonds in essential fields of activity; light, heat and power bonds of strong companies in separated localities; and telephone bonds of successful and stable systems. This diversification gives an additional safety to the total holdings.

A brief description of each bond is given in order that the various issues may be shown in a little more detail. The bonds named are now, or shortly will be listed on the New York Stock Exchange, and no difficulty should be found in obtaining a ready market.

In Table II are given the results which may be obtained by making the $10,000 investment outlined in Table I, and by systematically re-investing the income derived for a period of 25 years. In this table the annual income, as well as the proceeds from any bonds which may mature are considered to have been re-invested on a 6% basis for the first 13 years of the period under consideration; while during the last 12 years, this basis is reduced to 5%. In addition to the annual interest received from the original investment and from the bonds bought with the interest therefrom, the investor is assumed to save out of his salary enough money to permit purchasing the additional bonds in even $1,000 units. The writer figures that the amount he will have to save for this purpose, and which he will, of course, add to his total income need not exceed $400 a year as an average for the entire period.

The results, as may be seen in the Table, are not very wonderful for the first few years; but at the end of 10 years a most interesting result is obtained; and at the close of the 25-year period, after nothing but this systematic investment of interest and of $400 a year savings the original investment of $10,000 is seen to have grown into the comfortable sum of $65,500; and the owner is well-fixed for old age.

This is merely what can be done with $10,000 successfully invested at the present time, and no consideration has been given to the increase in earning power and greater possible savings which should come in the more mature years of the investor's active business career.

TABLE II—HOW THE MONEY GROWS

Year:	Income from Original Investment or from Re-Invested Principal:	Income From New Bonds Bought:	Total Annual Income:	Total Par Value of New Bonds Bought:	Grand Total Par Value As of Given Year:
Original Capital $10,020					$10,500
First	$730	....	$730	$1,000	11,500
Second	730	$60	790	2,000	12,500
Third	730	120	850	3,000	13,500
Fourth	730	180	910	4,000	14,500
Fifth	730	240	970	5,000	15,500
Tenth	710	780	1,490	15,000	25,500
Fifteenth	660	1,150	1,810	25,000	35,500
Twentieth	595	1,800	2,395	39,000	49,500
Twenty-fifth	545	2,550	3,095	55,000	65,500

The Issues Selected

CITY OF BERNE (Switzerland) 25-YEAR 8% SINKING FUND GOLD BONDS: The city of Berne is one of the four largest cities in Switzerland and is the capital of the Swiss Federation. The total value of the taxable property of this city is about $229,000,000 while the total debt is less than $19,000,000. The credit of Berne has always been high as evidenced by its ability to dispose of 3½% to 4% loans prior to the war. Not only has Switzerland withstood the severe strain of the years of war better, probably, than any of the European countries, but the sturdiness, integrity and energy of her people are assets which the prospective bond buyer may well consider. Exchange fluctuations do not affect this bond since principal and interest are paid in United States gold coin.

STATE OF SAO PAULO EXTERNAL SINKING FUND GOLD 8'S DUE 1936: Not only is this issue a direct obligation of the State of Sao Paulo, Brazil, but it will be further secured by a first charge on the surtax of 5 francs per bag on all coffee exported from the State, with the exception of a small amount annually, until 1924. After this date the entire surtax will be available for the service of this loan. Bonds will be redeemed at 105 even if held until maturity, since the sinking fund payments are sufficient to retire all bonds at or before maturity. The State of Sao Paulo is commercially the most important of all Brazil, and it is estimated that two-thirds of the inhabitants are of sturdy European descent, which has been one of the contributing factors to the State's prosperous growth. The credit of Sao Paulo ranks high, and several of its former external loans have been repaid before maturity. The per capita debt amounts to only about $25, which is very low indeed. These bonds make an attractive investment and at present figures, taking into consideration the fact that the holder will receive 105 for his bond, even if he holds it to maturity, the yield is approximately 8.9% per annum. Exchange fluctuations do not affect this dollar bond since principal and interest are payable in United States gold coin.

GRAND TRUNK RAILWAY OF CANADA 20-YEAR 7% SINKING FUND GOLD DEBENTURES: The company was organized in 1882 and has been successfully operated up to the present time. The bond interest was earned by a good margin until the year 1917, from which time the road has just barely been able to meet its obligations. However, in May, 1920, the Dominsion of Canada agreed to purchase this road and to merge it with the Canadian National Railways.

The values behind this bond are to be found in the guarantee as to principal and

interest by the Dominion of Canada by endorsement, in addition to being a direct obligation of the railway company itself. In other words, behind this issue are the resources of all Canada, which is enough to say.

UNION TANK CAR EQUIPMENT TRUST 7% GOLD NOTES DUE 1930: The Union Tank Car Co. is the new name for the Union Tank Line Co. which was incorporated in 1891 and was formerly controlled by the Standard Oil Co. of New Jersey, until this latter concern was ordered to dissolve. The company owns and operates over 27,000 tank cars for transporting crude and refined oils throughout the United States, and it leases its cars to shippers at rental charges according to capacity, in addition receiving a mileage rate from the railroads. Not only have the earnings been exceedingly good, thereby making the direct obligation feature of great value, but these bonds also possess the equipment trust feature, whereby title to 600 new tank cars will remain with the trustee until all notes are paid. Equipment trusts, as a type, are exceptionally strong bonds and when coupled with the direct obligation of a company of this character, the bonds so secured make an excellent investment. [Any uncertainty as to this company's earnings on its common shares need not affect the status of its bonds.—Ed.]

AMERICAN AGRICULTURAL CHEMICAL CO. FIRST REFUNDING MORTGAGE GOLD 7½'s DUE 1941: This bond is a direct obligation further secured by a mortgage on all real estate, plants and equipment now owned or hereafter acquired (subject to only about $7,000,000 prior lien) of probably the largest and most successful concern of its kind in the world. The business of this company is the manufacture and sale of chemical fertilizers, grease, etc.; and the products, which come under the necessities of our agricultural life, are widely distributed. The company owns large supplies of its basic raw material and is in an exceptionally strong industrial position. The corporation was started in 1893 and has been in successful operation since that time. The excellent earnings, the business history and the strong industrial and financial position of this concern, makes this bond one of the attractive issues of the day.

WESTINGHOUSE ELECTRIC & MANUFACTURING CO. GOLD 7's DUE 1931: The company was incorporated in Pennsylvania in 1872 and is engaged in the manufacture and sale of machinery and appliances for generation, transmission and utilization of electricity. The corporation's earnings, especially for the past few years, have been excellent and this concern is now in probably the strongest financial position in its history. The present bond issue is a direct obligation of the company but is not secured by mortgage; however, the indenture provides that no mortgage can be made on its properties unless this issue is equally secured.

WICKWIRE SPENCER STEEL FIRST MORTGAGE GOLD 7's DUE 1935: The company is a merger of several concerns which have had an average commercial history of more than fifty years. It conducts a miscellaneous business which is, in itself, a large and important industry, independent and self-contained; and the complete and modern plants carry forward all the steps of production and manufacture by which iron ore is transformed into every conceivable type of wire product that the market demands. The diversification of business conducted by this concern should enable it to maintain good earnings even under the most trying conditions of general business depression. It is more exhaustively reviewed on another page of this issue of THE MAGAZINE OF WALL STREET.

This first mortgage constitutes the only funded debt of the company. At the completion of the merger it was shown that the total net tangible assets behind each $1,000 bond amounted to more than $2,500, and further assets have been added since that time.

DUQUESNE LIGHT CO. FIRST MORTGAGE AND COLLATERAL TRUST GOLD 6's DUE 1949: This issue has long been a favorite among insurance companies. The company is a subsidiary of the Philadelphia company, and owns in fee or controls through long-term leases or stock ownership, various properties which conduct the entire central station electric light and power business in the city of Pittsburg and throughout the major portion of Allegheny and Beaver counties. The completion of the new construction contemplated by this Duquesne Light Co. will surround Pittsburg and vicinity with the most complete and largest electrical supply system ever constructed by man. The bond is exceptionally well secured and the relatively low yield of 6.8% to maturity is due to the unusually heavy demand for it.

PACIFIC GAS & ELECTRIC GENERAL AND REFUNDING GOLD 5's SERIES "A" DUE 1942: This company, which was incorporated in 1905, has been one of the most consistently prosperous and rapidly growing institutions of its kind in the world. Business depressions have had practically no retarding effect upon it. It does almost half of the electric and gas business of the State of California and ranks as the third largest gas and electric company operating in America. The bond is a direct obligation of the company and is further secured by a lien on all its properties subject to prior liens of about $50,000,000. The value of the properties, more than a year ago, was well over $150,000,000 and many improvements have been made since then.

BELL TELEPHONE CO. OF PENNSYLVANIA 25-YEAR FIRST AND REFUNDING MORTGAGE 7's SERIES "A" DUE 1945: This company was organized in 1879 and it owns and operates a comprehensive system of exchange and toll lines located entirely in Pennsylvania, and reaching every part of the State. Because of the variety and importance of the State's natural and manufactured products, the business of this section and especially of this company, are to a singular degree removed from the disastrous effects of general business depressions.

Of the company's $60,000,000 outstanding common stock, over 99.9% is owned directly or indirectly by the American Telephone & Telegraph Co. This bond is an exceptionally strong issue and is especially attractive to residents of the State of Pennsylvania, since it is tax exempt there.

NORTHWESTERN BELL TELEPHONE CO. FIRST MORTGAGE 20-YEAR 7's SERIES "A" DUE 1941: This company is a recent successor of important companies of the Bell Telephone System operating successfully for many years, the oldest of such concerns having commenced operations in 1883. The territory served is primarily an agricultural one, and the company's business has grown steadily along with the increasingly intensive agricultural development of the nation.

These bonds are issued under a mortgage, covering as a first lien the entire physical property constituting its telephone plant in Iowa, Minnesota, South Dakota and Nebraska. The American Telephone & Telegraph Co. owns all of the company's $42,150,000 outstanding capital stock.

PLANS FOR A RAILROAD INQUIRY

There seems to be more and more definite expectation that the railroad inquiry predicted in various quarters will actually be set on foot by the next Congress and that it will be intended to set at rest various disputed points concerning railroad finance. If this is what is intended the plan is a good one. There is now a sharp difference of opinion between various elements in the community as to the real cause of this difficult situation. Some attribute the difficulties to mere lack of business due to current depression in production; others to unnecessary expenditures by the roads, and still others to the unsatisfactory conditions of labor and wage payments. Such evidence as is available to the general public strongly indicates that the real difficulty is the one last mentioned. The public knows little of the actual increase in operating expenses produced by the war but the broad fact that at the close of the war with practically the same mileage as at the beginning there had been an increase of about 275,000 men and an addition of two billion dollars to wages furnishes the basis for a careful inquiry.

If it be true as stated that this wage increase is not by any means the result primarily of advances in rates of wages, but is the outcome of the adoption of methods of "making work," it is a condition of affairs calling for prompt correction. The Railway Labor Board is apparently unable to apply the necessary remedies. On the other hand there seems to be doubt as to the practicability of the plans for railroad consolidation established in the Transportation Act. In those circumstances a revision of that measure intended to bring about improvement in the financing methods proposed by the law is earnestly to be desired. It would not be strange if a broad piece of legislation like the Transportation Act should require amendment at various points before becoming a thoroughly workable measure.

Railroads

Bonds and Stocks

Railroad Rates to Decline Gradually

William S. Jenney, Vice-President of D. L. & W., Predicts Gradual Reaction in Shipping Costs—Operating Efficiency as a Management Problem — Two Unique Methods of Economizing

FROM books and records of corporation executives and directors, it would seem that Big Business looks upon lawyers and ex-judges as likely timber wherewith to fashion executives and chairmen of boards. But one would scarcely go to the general counsel of an industry in search of facts and figures about that industry. If, however, he wanted a broad-gauged bird's-eye view of a certain business, the general counsel would be his man.

Mr. William S. Jenney is vice-president and general counsel of the Delaware, Lackawanna & Western Railroad. Four representatives besieged him in his office and when we said to him that we wanted to interview him in reference to the railroad situation, he smilingly pointed out that we had come to the wrong man and advised that there were numerous officers of boards and committees that furnished almost daily data of everything even remotely connected with railroading.

"But, Mr. Jenney," we persisted, "let us omit data and hit the high places only in this discussion."

"Railroads are handicapped at present," said Mr. Jenney, "by the high cost of supplies as well as the high cost of labor. But it seems to me that one of the most practical questions to be solved by railroad men is the question of making each day of work on the railroads productive of greater results.

"The labor situation is almost beyond discussing simply because it has been discussed so much. So far as an understanding of this question is concerned, all people have the facts from which they can and will draw their own conclusions.

Paradoxical Economies

"Most of the railroads seem to think alike on the subject but a certain road in Virginia has hit upon a novel and yet effective method of conservation. They lay off all their men in their offices one day in each week, and while this makes a difference in the cost to the advantage of the railroad, yet it probably does not make a corresponding difference in the amount of work actually accomplished.

"In line with the same idea, the Delaware & Lackawanna Railroad has deliberately chosen to pay twenty cents a ton more for bituminous coal than it would be obliged to pay, simply because it wants the best quality. Experience and long observation have proven that this better quality of bituminous coal is more economical in the long run than the inferior quality. And when you come to consider that the Delaware & Lackawanna Railroad consumes approximately twenty carloads of this bituminous coal a day, an appreciation can be had of the difference in this cost. And yet the railroad considers and figures that this extra cost is really an economy. It is an economy because it is less destructive to the furnaces and boilers of the locomotives and therefore requires less labor and less repairs. It does not go to clinkers and therefore goes farther and is more efficient. I cite this instance only to show the different angles of management and how it is possible for economies to exist indirectly, when directly it might be charged to extravagance."

"Is traffic up and do you look for improvement soon?" Mr. Jenny was asked.

"Traffic is not so heavy as it was in the height of the boom, but we all expect it will pick up again and that that time may come at any moment."

Rates Certain to Decline

"Undoubtedly rates will go down as everything else will go down, gradually. This will obtain in every line of business. A house that last year cost $50,000 can be built this year for $40,000 at the most. There is more labor to be employed and consequently there is not that extortion that there was in war time. The Delaware & Lackawanna Railroad owns anthracite coal mines and in the past thirty

RAILROAD EARNINGS

The table below shows the annual rate earned by 40 of the principal railroads, for the period indicated, as applied to their fixed charges (interest on bonds and rentals), or their preferred or common stocks, as the case may have been. The six months are deemed to represent 49.2% of the year's traffic—the ratio that obtains in normal years. Other income (such as dividends, interest, hire of equipment and joint facility credits) and other charges (such as taxes, hire of equipment and joint facility debits) for 1919 were taken, except where later figures were available and in the case of Atchison where unusual income was known to exist. In the case of this road 1918 was taken.

SIX MONTHS—SEPT. 1, 1920 TO FEB. 28, 1921.

System	Annual Divd. Rate on Common (%)	Earnings: $ Per Share on Com.	Earnings: $ Per Share on Pfd.	Earnings: % of Fixed Charges Earned
Atchison	6%	$1.20	.....	....
Atlantic Coast Line	7	5.50	.....	....
Baltimore & Ohio	....	.....	.....	82%
Chesapeake & Ohio	4	10.20	.....	....
Chicago Great Western	....	.....	.....	29
Chicago, Milwaukee & St. Paul	....	.....	.....	80
Chicago & North West	5	.....	.....	90
Cleve., Cin., Ohio & St. L.	....	7.00	.....	....
Delaware & Hudson	9	8.70	.....	....
Del., Lack. & West.	(a)20	18.00	.....	....
Erie	....	.....	.....	(b)
Illinois Central	7	14.20	.....	....
Kansas City Southern	....	9.00	.....	....
Lake Erie & Western	....	.....	.....	27
Lehigh Valley	(a) 7	.....	.....	62
Louisville & Nashville	7	.....	.....	40
Minneapolis & St. Louis	....	.....	.....	35
Missouri Pacific	....	.....	.83	....
New York Central	5	.....	.....	72
N. Y., Chic. & St. Louis	(c)	1.45	.....	....
N. Y., New Haven & Hartford	....	.....	.....	(d)
N. Y., Ontario & Western	1	.....	.....	66
Norfolk & Western	7	6.10	.....	....
Northern Pacific	7	1.00	.....	....
Pennsylvania	(a) 6	.....	.....	(e)42
Pere Marquette	....	.45	.....	....
St. Louis-San Francisco	....	8.00	.....	....
Southern Pacific	6	7.90	.....	....
Southern Railway	....	.....	.....	33
Texas & Pacific	....	2.30	.....	....
Union Pacific	10	12.40	.....	....
Wabash	....	.....	(f) .80	....
Western Maryland	....	.....	(g) 7.00	....
Western Pacific	....	(h) 7.80	.....	....
Wheeling & Lake Erie	....	.....	.....	14
FIVE MONTHS—SEPT. 1, 1920 TO JAN. 31, 1921.				
Colorado & Southern	....	19.70	.....	....
Chic., R. I. & Pacific	....	.....	.....	83
Great Northern	7	.....	(i) 8.50	....
St. Louis Southwestern	....	12.50	.....	....
Seaboard Air Line	....	.....	.85	....

(a) $50 par value; (b) Operations for the six months were at a deficit of $271,306 before fixed charges; (c) On Jan. 3, 1921 company paid a dividend of 5%, the first since March 1, 1918; (d) Operations for the six months were at a deficit of $3,806,846 before fixed charges; (e) Includes operations of the Pittsburgh, Cincinnati, Chicago & St. Louis R. R.; (f) On pfd. A stock; (g) On 1st pfd. stock; (h) Includes operations of the Denver & Rio Grande R. R., and calculation is based on reorganization and readjustment plan as announced by Western Pacific; (i) Only one class of stock.

days anthracite coal has been reduced fifty cents a ton and that is the sort of reduction that the people feel.

"Unquestionably the ramifications of the railroad enterprise are endless and affect all branches of industry. Also all persons are individually affected by the degree of success or failure with which the railroads perform their duty. It is also true that the problems of the railroads are the problems of the whole people. But it may also be true that the freight rates of the railroads in their fluctuations up and down do not affect the average consumer to the extent that he is led to think by the general trend of public discussion.

Purely from the standpoint of himself as a consumer, let the average citizen figure it out accurately and railroad rates do not loom with such vast proportions."

Mr. Jenney stated that the Delaware, Lackawanna & Western Railroad is and has been operating at a profit.

How to Increase Railroad Productiveness

Asked how we could best deal with the proposition of making the day's work on the roads more productive, he said:

"By the elimination from working conditions surrounding railroad labor everything that tends towards wastefulness and duplication of effort. It is basically wrong to require any employer to put more men on a certain job than are necessary to do it just as it is unreasonable and unjust to restrict the output of the individual or to be compelled to pay for any work that is not actually performed.

"This scientific age has produced machines which largely supersede the hand labor in manufacturing establishments. By some it is believed that this would throw men out of work. This view is exploded now for we know that mechanical production not only has increased the number of available positions but has paved the way for certain advances in the standards of living on the part of all classes of our people. Because of this standard of living labor requires a larger reward for its service.

As it realizes this larger reward, it should be willing and will be willing to give value received in efficiency, and to a large extent corporate management has the responsibility of bringing this efficiency about."

Reading Company

What Is Reading Worth?

Stripped of Its Coal Properties, What Can the Company Earn as a Railway Proposition?

By **ARTHUR J. NEUMARK**

THE stockholders of the Reading Company have been deluged with such a mass of facts, figures and differing opinions as to the value of their holdings that the general effect has been to confuse and bewilder them. It will be the purpose of the writer in this article to analyze the value of Reading as a railway operating company, based on earning power, taking into consideration other sources of income to be derived by the company under the terms of the proposed segregation plan.

Segregation Plan

The plan as submitted by the Reading Company contains the following chief points:

1. The Reading Company is to dispose of its holdings in coal properties and to operate as a railway system only. It will therefore retain the Philadelphia and Reading Railway Company. It is also contemplated to merge the Central R. R. of N. J. with the Philadelphia & Reading, but this of course must await upon the recommendations to be made by the I. C. C. under the general consolidation plan provided for in the Esch-Cummins Law.

2. The Philadelphia & Reading Coal & Iron Company is to be consolidated with the Delaware Coal Company. Stockholders of the Reading Company are to receive 1,400,000 shares of the new coal company's capital stock of no par value at a cost of $4 a share and will receive this stock on the basis of one share for each two shares of Reading stock owned.

3. The Reading Company carries its equity in the Philadelphia and Reading Coal and Iron Company at $77,919,770; $69,919,700 of which is for advances to the company and $8,000,000 represents the book value of the stock held. Reading is to receive $25,000,000 of new 4% bonds due in 1997 and $10,000,000 in cash or quick assets, in consideration of which the Reading Company will eliminate the entire amount, $77,919,770, carried as an asset on its books; and the Philadelphia and Reading Coal and Iron Company will charge off a like amount carried as a liability on its books. In other words, there will be a general release of all claims and liabilities between the two companies. In addition to this, Reading is to receive $5,600,000 from its own stockholders, or a total of $40,600,000. Thus the company is making a partial distribution of assets to the extent of $37,319,770. This will completely wipe out the accumulated surplus of the company.

4. The C. R. R. of N. J. is to dispose of its holdings in the Lehigh & Wilkes-Barre Coal Company.

Rights of Common and Preferred

One of the uncertainties in the situation is in respect to the rights of the common and preferred stocks in the distribution of assets.

Because the company's listing statement of 1904, stated that, in case of liquidation or dissolution of the company, the preferred and common stocks would share equally in pro rata distribution of assets, the opinion has prevailed that this statement is contained in the charter of the company. Actually this is not the case. There is no mention made as to the rights of the preferred in case of liquidation or dissolution. That is why there exists a difference of opinion as to what the courts will say the rights of the preferred and common shares are.

All the rights of preferred stocks are usually definitely stated on the certificates and the preferred has no preference beyond what is specifically mentioned. In the case of Reading the certificates of the first and second preferred stocks only state that the 4% dividend is non-cumulative and that the second preferred is convertible equally into first preferred and common, that they are redeemable and that the company cannot create any new mortgage or increase the authorized amount of the first preferred stock.

The general rule affecting distribution of assets between common and preferred stocks, where nothing is stated, is quite clear. If a corporation desires to give the preferred stock priority over the common in case of liquidation or dissolution, it must specifically state so. If nothing is stated, all the capital stock of a corporation is alike and has equal rights.

In the case of Reading the decree does not call for a dissolution or a liquidation of the company, but for a partial distribution of assets. Inasmuch as this distribution will necessitate the return of capital, since the value of the coal properties is in excess of the company's surplus, the preferred and common will share alike.

PHILADELPHIA & READING RY.

The important point to determine is, what is Reading worth as a railway company? Present operations cannot be taken as a guide to the road's real earning power, because of the slump in traffic and high operating expenses; but in comparison with the operation of other eastern carriers, Philadelphia & Reading is making a very excellent showing. Net earnings for the six months ended February 28, 1921 (the period of increased rates), amounted to $4,959,508. Weighted for seasonal fluctuations of traffic, this is at the annual rate of $10,000,000, or at the rate of $2.70 a share on the common stock of the Reading Co.

In order to arrive at the real earning power of the road the test period (June 30, 1914, to June 30, 1917,) should be taken as a basis and the necessary eliminations and additions to operating income that would take place as a result of the consolidation of the Reading and Philadelphia & Reading companies made. The table herewith shows how the situation will probably work out with the test period as the basis.

The Table

In order to clearly show the eliminations and additions made in estimating Philadelphia and Reading's future earning power, the writer has worked his table backwards.

With the starting point—net operating income before dividends—we see that the first item that should be added back to income is the net charges resulting from "lap-over" items. In other words, those charges which were not applicable to the period of operation under government control, but which referred to operations under private management. These charges are purely accounting adjustments and cannot be properly deducted from income.

PHILADELPHIA & READING EARNING POWER
(000 omitted)

Net income for test period		$8,461
Net miscellaneous charges not properly deductible		984
Net operating income under Government control		$9,445
Interest and dividends received from leased lines		440
Undistributed equity in leased and separately operated lines		590
Interest deducted on Purchase Money Mtg. Bonds owned by the Reading Co., not properly deductible		1,200
Total Earning Power		$11,675
Reading Co. receives for hire of equipment	$3,500	
Reading Co. receives for additional rent	375	3,875
Total Income		$15,550
Fixed charges of the Reading Company	$6,277	
Less: Interest on Reading-Jersey Central Collateral Bonds	920	
Taxes	708	
Balance of Charges		4,649
Railroad property gives net income of		$10.901
Deduct preferred dividend		2,800
Balance for Common		$8,101
Amount per share on Reading common		$5.80
Amount per share on Philadelphia & Reading common		9.50

The sixth item "Interest deducted on Purchase Money Mortgage Bonds" should not be considered a deduction from income under the contemplated consolidation. In arriving at the net income, $1,961,582 of interest on the funded debt was deducted. This included $1,200,000 of interest on the Purchase Money Mortgage Bonds, all of which are owned by the Reading Company. With the consolidation of the two companies, the interest on these bonds would be eliminated for it would simply be a question of taking it out of one pocket and putting it in another. It is therefore proper to add back this interest. This also applies to the money the railway company pays to the parent company for the use of the latter's equipment. This charge also would be eliminated.

The total fixed charges of the Reading Company, with the exception of the interest on the Jersey Central collateral bonds, would then be borne by the new company.

The result of this calculation would indicate quite plainly that under normal conditions the Reading Company would be able to obtain a substantial balance on its common stock from its railway operations alone.

In addition to the income derived from the Philadelphia and Reading Railway Company, the Reading Company will receive 4% interest on the $25,000,000 of bonds of the Philadelphia & Reading Coal and Iron Company.

READING IRON CO.

No mention of the Reading Iron Company was made in the segregation plan of the Reading company. All of the company's $1,000,000 of capital stock is owned by Reading and carried on the books at this figure. This is, of course, a nominal figure and in no way represents the real value of the property. The balance sheet of the company as of December 31, 1919, showed assets valued at $23,944,249 and current liabilities of $1,152,695, leaving net assets of $22,791,554, equivalent to $8.15 a share on the 2,800,000 shares of preferred and common stocks of the Reading Company. The property is entirely free of any mortgage debt. The iron company pays regular dividends of 6% on the capital stock and has declared substantial extra dividends since December 31, 1919, but what these payments amounted to has not been stated. The company also paid extras in 1909, 1911, 1914 and 1915. No doubt this company will eventually have to be disposed of, and in this case, Reading stockholders would probably receive a very handsome distribution.

CENTRAL R. R. OF N. J.

Until the I. C. C. comes to some decision on the consolidation of railroads, Reading will no doubt retain its holdings in the Central Railroad of New Jersey. Reading owns $14,500,000 or approximately 52% of this company's capital stock, on which it receives $1,740,000 in annual dividends. This stock is pledged against a $23.000,000 issue of Jersey Central collateral gold 4s, on which Reading pays annual interest charges of $920,000, leaving a net profit of $820,000 per annum through the ownership of Central R. R. of N. J. capital stock. Should Reading have to dispose of this stock at present market levels, the company would receive about $28.000,000. The above mentioned bonds are callable at 105 and if redeemed at this price would cost the company $24,115,000, leaving a profit of $3,885,000 on the sale of the stock.

Conclusions

Summarizing the various sources of income that Reading will have as a railroad operating company, we arrive at the following:

1. Net operating Income of Philadelphia & Reading Ry.	$8,101
2. Income from Philadelphia & Reading Coal & Iron Co. Bonds	1,000
3. Income from Reading Iron Co.	*60
4. Net Income from Jersey Central stock	820
Total Income	$9,981
Per share of common	$7.15

*Without taking into consideration extra dividends.

If the company were compelled to dispose of its Central of N. J. and Reading Iron holdings, its income would be reduced $880,000 per annum, or 63 cents a share on the common stock, but Reading stockholders would receive additional valuable stock distributions.

Reading Company common stock, with a future earning power of between $6 and $7 a share, could easily maintain its present $4 dividend; and in comparison with the yields on standard railroad stocks today, this issue should be selling between $55 and $60 a share. At present Reading common is selling around $68 a share and carries with it rights to subscribe to the coal company, which are valued at $14 a right, bringing the value of the stock as a railway enterprise alone to $54 a share, at which price the stock is cheap.

The estimate of the value of the railway property combined with the other holdings of the Reading Company arrived at in this article appears to be conservative. The company probably has a very valuable equity in the Iron Company, which must be allowed for in any accurate valuation of the Reading stock.

There is no doubt in the writer's mind that anywhere between $65 and $75 a share the Reading company's stock is an attractive purchase. The investment is a sound one and the speculative possibilities good. Holders, however, who purchased this stock over the $100 level, on reports of enormous "hidden assets" and a huge "melon" to be cut as a result of the segregation decree of the courts, should not hold their stock in the hope that it will some day come back to this figure. There is no basis for this belief. All the facts that are obtainable would seem to indicate an accurate valuation of the stock at current prices and the action of the market in the last month once again bears out the old adage that securities seek their proper level in time.—vol. 27, p. 771.

FOREIGN EXCHANGE

Foreign exchange means the business of dealing in international bills or credits. These credits are for the most part created by one country shipping goods into another and receiving goods in return. The excess of one over the other is the balance of trade, and in normal times is generally equalized by the movement of gold. During the war and since, the United States exported to Europe an enormous excess over imports from Europe and consequently there has been a much greater demand for American funds to pay European debts in this country than for European funds to pay American debts in Europe.

Colorado & Southern R'wy. Co.

Will Colorado & Southern Resume Common Dividends?

Prosperous Road, Controlled by the Burlington, May Be Earning $12 a Share — Burlington Could Use Income from This Source

By JOHN MORROW

IT is quite natural that in all the discussion surrounding the refunding of the $215,000,000 Burlington 4s on July 1st next, interest should center around the big three — Burlington, Great Northern and Northern Pacific. They are the great main stems of what used to be called the "Hill System." But there is another member, which, although a much smaller road than the three mentioned, deserves attention because of its excellent and quite unusual earnings. That road is the Colorado & Southern, controlled, through ownership of the common stock, by the Burlington.

In those isolated cases where, under current conditions, a railroad is not only earning fixed charges but is showing a surplus for stock, a hasty comment is likely to be that it is merely an exceptional case and does not prove anything; but it does prove something, at least, to shareholders, and in the case of the Colorado & Southern, the excellent earnings may point the way to the resumption of dividends on the common stock. Should this development eventuate, the Burlington would be the principal beneficiary.

It goes without saying that the proprietary road is not dependent upon possible income from the Colorado & Southern for its standing, but Burlington, Great Northern and Northern Pacific (it is all in the family) have a gigantic refunding problem just ahead of them which undoubtedly will make highly desirable larger total disbursements by Burlington than have been paid heretofore.

Additional income to the Burlington in the shape of dividends from Colorado & Southern common stock is not to be ignored. No dividends have been paid on Colorado & Southern common since 1912. Burlington acquired control in 1908, and from that year to 1911 inclusive, 2% annually was the dividend rate on the common. But, a dividend of 1% was paid in 1912, and now, after a lapse of nine years and at a time when the general condition of the country's transportation systems is far from satisfactory, to say the least, it does not seem rash to talk about the possibility of resumption of common dividends.

Mileage and Traffic

Colorado & Southern lines which comprise the system in its entirety, are composed of three units—Colorado & Southern Railway, Fort Worth & Denver City Railway, and the Wichita Valley Railway Company, and in importance from the standpoint of earnings, they rank as named. The total average mileage operated is about 1,880 miles, and this has been the average over a number of years.

The Colorado & Southern proper runs from Orin Junction in southeastern Wyoming, where connection is made with the Burlington, straight south through Colorado, touching Denver, Colorado Springs and Pueblo, down across the northwestern tip of New Mexico to the Texas line, where the Fort Worth and Denver City carries on southeasterly through Texas to Forth Worth and Dallas. The Wichita Valley is really a branch of the main line running or extending westerly from Wichita Falls. At Fort Worth, connection is fixed up with the Trinity & Brazos Valley. This line furnishes Colorado & Southern with its Gulf connection, and is the line which completes the route to blue water.

The Trinity & Brazos is owned jointly by Colorado & Southern and the Rock Island, each road holding one-half the outstanding bonds and one-half the stock.

The Trinity & Brazos Valley has been in receivership since 1914. Litigation developed between Colorado & Southern and Rock Island over the division of ownership, which was settled in 1918. The Trinity & Brazos Valley is not a money maker, but operates at a loss. However, the outlet which this line gives the Colorado & Southern apparently is valuable enough to warrant the retention of interest, even though the ownership has cost the Colorado & Southern a substantial sum over a period of years.

Some few years ago, before the war upset the normal growth and trend of rail traffic, there was considerable discussion about the development of through traffic from the northwest to Galveston over the Great Northern, Northern Pacific, Burlington and Colorado & Southern.

Colorado & Southern lines normally show rather a nice division of freight traffic, as among products of agriculture, products of mines and manufacture. The mining districts of Colorado furnish the system with the bulk of its heavy traffic, and the Colorado Fuel & Iron plant at Pueblo is another important source of freight traffic. Texas furnishes the agricultural products. Operations on the Wyoming and New Mexico mileage are of minor importance.

Earnings

If earning records of the past few years be considered, it might be thought that Colorado & Southern would have been justified in resuming small dividends upon the common stock before this. The table illustrates the trend of earnings through 1919. In the five years to the end of 1919, average annual earnings on the common shares was between $6 and $7 per share, but two years—1914 and 1915, were very lean ones and the road made an exceptionally poor showing. The cause of the poor showing was the protracted labor trouble in the Colorado mining districts. At that time, Colorado & Southern found over 60% of its freight traffic in products of mines, and the virtual suspension of activities in Colorado vitally affected earnings.

In 1914 the surplus after charges was only $406,000, and in 1915 only $550,000. In other words, the road earned in two years only about one-half of what it should have earned in one year. Naturally enough, this misfortune of the past has no direct relation to present conditions, but the losses sustained in those two years necessitated a conservative policy until traffic could be revivified and built up again.

Another factor in connection with the general question of dividends on Colorado & Southern common is that the Burlington has always been, and is now, for that matter, an exceptionally big earner and has never been in particular need of any income that might accrue from dividends on the Colorado & Southern common. It is not necessarily to be inferred, or is the impression intended to be conveyed, that Burlington is any weaker now than it has been, but the general effect of the refunding of the Great Northern and Northern Pacific joint 4s, secured by Burlington stock, may be to increase total Burlington dividends at a time when railroad earnings are far from normal.

In 1920, Colorado & Southern, like practically all the roads in the country, operated under the standard return for

COLORADO & SOUTHERN EARNINGS.

Yr. Dec. 31	Gross	Total income	Net for all stocks	Earned on Common
*1915	$14,172,978	$4,100,838	$508,767	....
*1916	15,707,311	5,589,594	2,152,090	$4.70
1916	16,469,279	6,347,780	2,943,795	7.20
1917	18,685,810	6,841,982	3,571,344	9.31
1918	21,962,711	6,940,854	2,750,014	6.70
1919	25,042,791	6,475,898	2,303,857	5.25

*Year June 30.

eight months. This meant a guaranteed compensation of $3,149,976. In the last four months of the year, the road was on its own, and reported a net operating income of $3,183,435, an increase of 100% over the showing for the same four months of 1919.

Thus, taking the eight months' standard operating return, and the four months' net operating income under private operation, the net income for the whole year was $6,333,411, against $4,734,000 for 1919, and it will also be noted that earnings in the last four months were slightly larger than the standard return for eight months.

If it be assumed that interest charges and other items of the income account were about the same in 1920 as in 1919, it may be estimated that Colorado & Southern earned at least $10 per share on the common stock last year, after provision for preferred dividends.

Even more interesting is the result of five months' operation from September, 1920, to February 1, 1921. As has been stated, the four months to December 31, showed net income of $3,183,435. The January net income, after rentals, was $461,247 against $486,728 for the same month of 1920. Compared with the operating results of other railroad systems, this showing of Colorado & Southern was exceptionally good.

The tentative property valuation for the system is approximately $110,000,000, and to earn 6% upon such a valuation, monthly net earnings would have to average $550,000. The four months to December 31, 1920, showed that the road was earning just about 6% on property valuation, but as will be noted, the January rate was a little under, but still entirely satisfactory.

It may be tentatively estimated that on the basis of the five months' earnings, Colorado & Southern is earning at the rate of perhaps $12 per share on the common stock, and with this amount of revenue, it is certainly not far-fetched to suggest the resumption of dividends on the common stock.

The Burlington Refunding

Colorado & Southern has outstanding $31,000,000 common stock of which Burlington owns approximately $23,650,000, or about 74%. Burlington is thought to have paid an average of $58 per share for its holdings. The present market price of Colorado & Southern is around $35 per share, and this valuation would indicate a book loss of $5,240,000 to Burlington on its investment. This, of course, is not of immediate importance nor is it a matter of consequence. The Burlington did not acquire control of Colorado & Southern as a money making proposition, but because of the traffic connections.

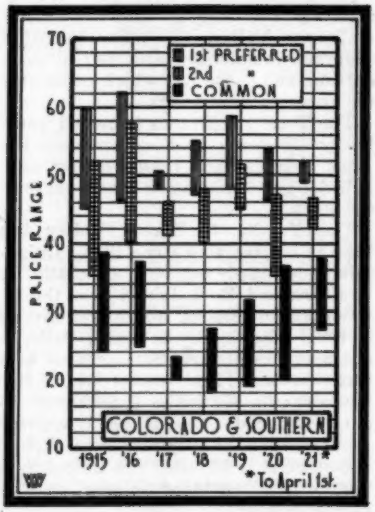
If Colorado & Southern should pay $2 per share on the common stock, it would mean $473,000 annual income to the Burlington, an amount which is equal to interest at 6½% on $7,000,000 bonds.

It is now considered possible, or perhaps probable, that the plan for refunding the joint Burlington collateral 4s by Northern Pacific and Great Northern will call for the issuance of $230,000,000 6½% joint collateral bonds. Interest charges on such an obligation would be $14,950,000 annually, against $8,609,000 on the $215,227,000 joint 4s which mature on July 1. This would add $6,340,000 to the annual interest charges of Northern Pacific and Great Northern, or $3,170,000 each.

Burlington stock owned by the two roads was increased from $107,613,500 to $165,867,400 by a stock dividend recently declared.

If Burlington continues the 8% dividend on the increased amount of stock, it would mean a total income to Great Northern and Northern Pacific annually of $13,269,392, or about $1,681,000 less than interest charges at 6½% on $230,000,000 joint collateral bonds.

There have been no statements of official or semi-official character to indicate what the Burlington dividend policy is likely to be. Of course, this refunding problem does not directly affect Colorado & Southern except that the desirability of paying larger total



dividends on Burlington stock in order to ease the burden of Great Northern and Northern Pacific is apparent, and therefore, there is more incentive to Burlington than there has been to use every justifiable source of income.

Colorado & Southern has gone for nine years without paying dividends on the common, and in that time has been able, through good earnings, to take care of property and maintain road and equipment adequately.

Apparently Colorado & Southern expenditures on maintenance of way and maintenance of equipment have been gauged by the volume of business done, and the percentages of income devoted to upkeep of this character have varied from 26% to 34% in the six years ending December 31, 1919.

The road has also had good success in exercising control over transportation, and through 1919 had been able to keep the percentage down below 40%.

Conclusions

Colorado & Southern has a total capitalization of $109,044,256 or a little below the tentative property valuation of $110,000,000. Of the total capitalization, $61,044,256 is made up of funded debt, and $48,000,000 is stock, divided as follows: $8,500,000 4% non-cumulative first preferred, and equal amount of 4% non-cumulative second preferred, and the remainder common.

Funded debt constitutes 56% of the total capitalization, and stock 44%, a fairly even balance.

The two main issues of funded debt are $19,400,000 first mortgage 4%, 1929, and $28,979,900 refund and extension 4½%, 1935. The second issue is, in reality, a second mortgage.

On December 1, 1921, $8,176,000 Fort Worth and Denver City first 6s come due, which means financing of moderate size within the current year; also the two main issues are not of long maturity, the first mortgage coming due in eight years, the second in fourteen.

At present the first 4s are selling around 81, affording a yield of 7.13%, as if held to maturity. These bonds have sold as high as 99½ and as low as 74. As first mortgage issues, these look safe.

The refunding and extension 4½s may be purchased around 74, where the direct income return is 6% and the yield is 7½%. These bonds sold as low as 66, and as high as 100. This, too, is a good issue and there is no reason why it should not be included among the better grade and seasoned junior rail issues.

The refunding 4½s were rather widely distributed in Europe, but necessitous liquidation from that source appears pretty well completed and should not act further as a price factor.

Dividends on both the preferred issues have been somewhat irregular. On the first preferred, regular dividends were paid from 1906 to 1913 inclusive. Then there was a lapse covering 1914 and 1915, but since 1916 the regular 4% has been paid.

On the second preferred, dividends were paid from 1907 to 1913 and then suspended and resumed in 1917. At the present price, the first preferred may be bought to yield 7½%, and the second preferred 9.3%. Both issues look cheap, but have rather inactive markets. The common, selling around 35, in view of earnings, would appear to be one of the more attractive low price rail issues; however, there is only $7,300,000 stock as a floating supply; consequently the market for the shares is usually narrow.

In the last analysis, the parent company probably considers the real value of the Colorado & Southern investment to lie in the traffic advantages which those lines give to the "Hill System," which ranges through the northern tier of States west of the Mississippi, cuts the central States in trans-Mississippi territory, and with the Colorado & Southern as a complement has a north and south line from Seattle to the Gulf.

This territorial layout deserves attention not only from the standpoint of the individual roads comprising the group, but also from the standpoint of the possibility of railroad mergers and consolidation.—vol. 27, p. 791.

Industrials

Bonds and Stocks

Steel Orders and the Stock Market

How Fluctuations in Unfilled Tonnage Have Compared with Security Price Changes—When Will Decline in Steel Orders End?

By **A. T. MILLER**

FOR many years, the figures which are issued monthly by the United States Steel Corporation showing the volume of unfilled tonnage orders have been accepted as one of the trustworthy barometers of industrial conditions. These figures are representative of conditions in the steel industry in general—next to agriculture and railroads the most important of our industries—and their importance as one of the indicators of the business trend can thus readily be appreciated.

Since last August, the peak of activity in the steel industry, the volume of U. S. Steel unfilled tonnage orders has shown a continuous decline. According to the last official statement, the volume of unfilled tonnage orders at the end of February amounted to 6,933,297 tons as against 7,573,164 tons at the end of the previous month. At the end of July, 1920, unfilled tonnage amounted to 11,118,468 tons. In the past seven months, therefore, there has been a decline of 4,184,601 tons or about 37%. Roughly, this measures the extent of the decline of activity in the entire steel industry. Realizing that general business activity has declined in about the same ratio, it is evident that the amount of U. S. Steel orders on hand gives a fairly accurate picture of the general situation.

The Extent of Decline

Analysis of the unfilled orders of the big company reveals the fact that in the past decade there have been three big downward swings. Two of these were completed six years ago and two years ago respectively. The third is now on in full swing. A study of the first two downward swings may give a good idea as to the probable extent of the third.

The first decline commenced January, 1913, and did not culminate until December, 1914. This swing, therefore, lasted 23 months. The second decline commenced May, 1917, and did not end until June, 1919. This movement, therefore, had a duration of 25 months.

The fact that these two downward swings continued for about two years, in each case, does not necessarily signify that the present decline, which is now on its eighth month, has another year or so to go. However, precedent has some value in estimating future conditions and it is important to recognize that in the instance of the two previous declines, the movement was not halted for approximately two years. Once a declining movement in steel orders exhibits itself it shows a tendency to run for a long time.

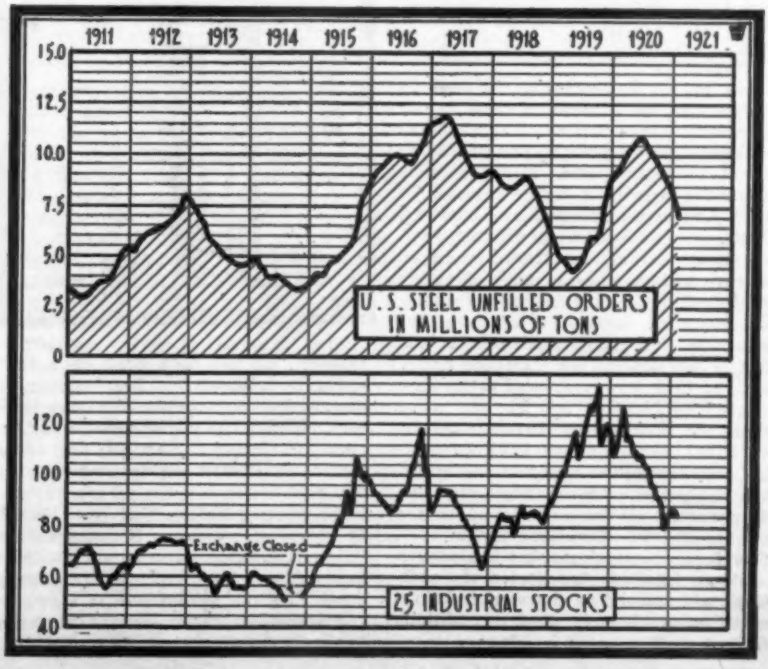
The salient features of the present situation, while capable of sudden alteration, point almost conclusively to the continuation of the present decline in steel production. On the other hand, it is improbable that the declining movement in unfilled steel orders will continue in an unbroken line. Thus far no major downward swing has continued without a halt somewhere in the course of this movement. Thus, in the 1913-1914 downward swing, there were two distinct pauses in the decline. One lasted for about two months and the other three months. In neither case, however, was there much of a recovery in unfilled orders. Tonnage merely maintained itself at lower levels without declining further for several months. Later the downward movement was resumed. In the decline of 1917-1919 there were three distinct pauses in the downward swing. Two of these lasted two months and the other only one month.

It is at least probable that the present declining movement will be halted within several months. It has already continued for seven months. The biggest previous continuous decline, referring specifically to the major declines, lasted 12 months, the smallest five months. Judging by precedent, then, the present decline should run into its ninth or tenth month before it is halted.

In other words, it may be assumed that somewhere in the course of the next three or four months U. S. Steel's unfilled tonnage orders will stop declining, if what has happened in the past has any significance.

In the past, the conclusion of a continuous downward swing has been marked by one of two developments: either unfilled tonnage dragged along the bottom for a considerable period or immediately turned and commenced the inevitable upward swing. At the end of the 1913 "bear" market in steel orders (see graph) tonnage was maintained at about the lower levels for nearly a year before the trend definitely turned. The 1915-1916 upward move therefore took a long period of preparation before the final period of recovery. On the other hand, the 1919-1920 recovery came suddenly. The turn was marked by no period of preparation.

The question is, which of these two



possibilities is the more likely in the present instance? In order to answer this question adequately it will be necessary to take into consideration the general economic situation. This is characterized by great irregularity, continued price declines in some commodities and a general tendency to limit consumption. International conditions are not favorable and will require considerable time before there is definite improvement. The agricultural classes are in difficulties and the railroads are beset by many perplexities.

Obviously a situation of this sort cannot be rectified at short notice. For this reason, I am inclined to believe that the recovery in steel consumption, when it comes, is likely to be preceded by a long and gradual period of adjustment. How long this preparation will take is impossible to say, but it is a fair assumption that it will last as long as the continuous decline itself. In other words, assuming that the present decline runs to its tenth month before it is finally broken, it is entirely probable that steel consumption will stay at about the lower levels for a period equal to that of the decline itself. In that case, the real climb in unfilled steel orders will probably not commence in earnest until next winter at the earliest and possibly not until after that time.

A Vital Relationship

There is a very interesting and significant relationship between movements of U. S. Steel unfilled tonnage orders and those of the stock market itself. In a general sense, a major movement in the stock market indicates the probable extent of the corresponding movement in steel orders. This is clearly brought out by study of the attached graphs, which are published monthly in this magazine in slightly altered form. In order to bring this out more clearly, the industrial stock averages are used instead of the combined industrial and railroad stock averages.

Up to the beginning of 1918, these movements took place almost simultaneously. Both the stock market and unfilled orders advanced or declined at about the some time, with the stock market generally a trifle ahead. In 1918, however, conditions changed. Thus, at the beginning of that year, the stock market commenced its broad upward swing, whereas unfilled orders continued the decline for approximately another year. Thus in 1918 we had the spectacle of a rising stock market and falling unfilled orders. By the beginning of 1919, however, steel production started to increase and at the same time the stock market continued its advance. In November, 1919, the market commenced the broad decline which has not yet culminated, while steel orders continued the advance up to the middle of 1920. **Since the end of 1917, therefore, the stock market has proven itself an infallible barometer of conditions with regard to the steel industry, anticipating future steel conditions from 6 to 12 months in advance.**

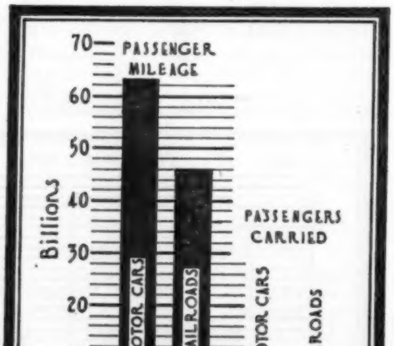
At present both the stock market and unfilled orders are on the decline. It is to be noted, however, that at no time in the past 10 years has the market waited for the commencement of a major movement in unfilled orders. It has either anticipated such a development a trifle or by a very considerable period. It has never lagged behind. It is improbable that this relationship will change with regard to the future conditions.

The present decline in the stock market has already continued since November, 1919, or a period of about 16 months. Steel orders have been dropping only seven months. Inasmuch as the previous declines in the stock market and unfilled orders have always continued for about the same period, it may be presumed, as stated above, that steel orders will either decline or hold to the bottom for at least the remainder of the year. This, however, does not mean that the stock market will continue its major downward movement for the balance of the year. We have had a good example in 1918 of how the market can go up while steel production is declining. It may well be this way when the next upward swing in the stock market occurs.—vol. 27, p. 648.

FUTURE OF MOTOR INDUSTRY

In a recent discussion of the motor industry, Alton G. Seiberling, vice-president of the Haynes Automobile Co., said:—

"Pessimistic talk relative to the future of the automotive industry is rendered absurd by a careful examination of the facts. The industry is here



to stay. It has been built on a solid foundation because it has become indispensable to modern life and business. Today the motor vehicle has become as much a part of the social fabric as electric lights and wearing apparel.

"Should anyone say that the railroads of this country were doomed to oblivion in the near future he would be laughed at. But authoritative figures show that the automobile is a greater and more comprehensive transportation factor in America than the railroads.

"According to conservative statistics there are approximately 7,000,000 motor vehicles in the United States today. Average yearly mileage of each car is 3,000 miles, making a total mileage for all cars of 21,000,000,000 miles. Another conservative estimate of three persons per car places the total passenger mileage at 63,000,000,000. Figures given out by the Association of Railway Executives for 1919 show a yearly passenger mileage for the railroads of 46,000,000,000 miles. It is thus indicated that yearly passenger mileage of the automobiles in the United States is 17,000,000,000 miles greater than that of all the railroads in the country. To carry the comparison further, the automobiles in 1919 carried 4,500,000,000 passengers, whereas the railroads in 1918 carried 1,124,000,000 passengers."

READJUSTMENT SLOW AND IRREGULAR

(Continued from page 822)

actual deposit account, has undergone a severe setback. This drop although reported in the graph only up to the end of February, has continued, although in a less marked degree, during the month of March. It is attributable not so much to lessened activity in buying on the part of consumers as it is to lessened activity on the part of business concerns in using their credit for purposes of production, and is thus a reflection of the unsatisfactory productive situation. Within the past week or two indices, however, have pointed to recovery and the fact that demand has been so well sustained in retail trade suggests the probability of greater activity in the use of bank credit in purchasing commodities within the near future.

General Summary

The fact that tendencies toward improvement in production and in distribution are already to be noted in many commodity lines tends to offset the fact that iron production shows a drop of 20 per cent since the preceding month and that in our foreign trade, for reasons already sketched, there is a falling off in the excess of imports amounting to about 58 per cent.

Decline in prices, shown by Bradstreet's index, of practically 4 per cent, demonstrates, when taken in conjunction with other similar figures, that readjustment has not reached its end. Slight improvement in the indices of credit, amounting to possibly a quarter of a point, and sporadic or temporary softening of money rates, are to be taken rather as the reflection of industrial conditions than as indicating a distinct change in financial prospect.

The present outlook is thus for a continued period of relatively slow readjustment during which domestic demand and distributive supply will recover their balance in relation to one another, but in which complete recovery will be retarded by the unsatisfactory condition of our foreign relations. This confirms the forecast already made in former months to the fact that business depression is likely to last longer than had been supposed, the severity of it wearing away only gradually.

Chain Stores Unharmed by Price Declines

Quick Turnover and Absence of "Unrealizable Accounts Receivable" Basic Factors in Their Strength—Remarkable Growth of Piggly Wiggly System

By **WILLIAM S. KEARY**

FROM a small beginning, the chain store has made marvelous progress and achieved tremendous success in a comparatively short period of time. The chain store idea was not the sudden conception of a genius. Rather it was the logical outcome of small scale experiments, the success of which led men gifted with foresight, courage, initiative and a capacity for organization, to develop a system of merchandizing, gigantic in scope, that stands out today unrivalled in its efficiency and economy. Measuring its growth concretely, it is estimated that at present there are more than five thousand chain store systems in this country with an approximate total of 80,000 stores. Only a system that was fundamentally sound in principle and established in popular favor could have grown to such extraordinary proportions within the course of a few decades of years. Unquestionably, the chain store is an institution that has come to stay.

TABLE I.—COMPARATIVE SALES.

	No. of Stores	Gross Sales 1920	Gross Sales 1919	Sales per Store 1920	Sales per Store 1919
Woolworth	1111	$140,918,981	$119,496,107	$126,839	$110,542
Kresge	188	51,245,311	42,668,061	272,581	263,817
Kress	145	28,973,547	25,244,131	200,000	175,580

The Advantages of the Chain-Store System

The most apparent advantage of the chain store organization over its individual competitor is the saving that it can effect through large scale purchasing. A single retail store with annual sales, say of a hundred thousand dollars, may make purchases yearly to the extent of eighty thousand dollars, the volume of which is obviously too small to permit of bargain opportunities. Where, however, there is one centralized agency buying for five hundred of such stores, the annual purchases would be in the neighborhood of forty million dollars, and accordingly goods can be procured at much lower terms than if they were bought in small quantities. **Reductions amounting to 15% on the price paid by individual stores, it is computed, are obtained on the average by the chain system through large scale buying.** Then, the chain stores sell entirely for cash, and have none of their capital tied up in accounts receivable, as in the case of the ordinary retail store, which not only gives them a readier supply of liquid funds, but renders them immune from the losses that are frequently borne through inability to realize on outstanding accounts. This supply of ready capital enables advantage to be taken of cash discounts and rebates, thereby resulting in still lower costs for goods. In addition the chain system has the advantage of quick turnover, huge sales, a lower percentage of overhead and administrative expense, and the prestige and good will created by numerous stores scattered over a wide area. The net result is that the chain store can sell goods more cheaply than its competitor; hence its popularity with the buying public, and, incidentally, the reason for its success.

How Chain Stores Stood Deflation

In view of the acknowledged superiority of the chain stores, it is interesting to note how they have withstood the storm of deflation that disturbed the business world in 1920. One of the arguments advanced in favor of the "chain" was that because its stores were located in widely separated areas, a depression in one region did not affect the business so severely, for the reason that it was offset by prosperity or normal conditions in another. In the year just passed, this point lost its weight because the stagnation in business and industry was nationwide rather than localized. Falling prices, however, have a tendency to increase the patronage of the chain stores because their prices more quickly reflect the declining trend of commodities, as a result of their rapid turnover. Their patronage is further increased when wage cuts, the aftermath or accompaniment of lowering prices begin to make themselves felt, for the reason that the wage earner seeks the place where the best quantity and quality of goods can be bought for the least money. An insight into the results attained by the chain system in the disturbed year of 1920 may be best gained by reviewing the operations of a few representative companies.

TABLE II.—COMPARATIVE PROFITS AND PRICE RANGES.

	Net Profits 1920	Net Profits 1919	Earned % on Common 1920	Earned % on Common 1919	Range of Stock 1920 High	Range of Stock 1920 Low
Woolworth	$9,775,252	$10,361,557	15.51	18.97	145	100
Kresge	2,758,506	2,280,201	26.13	21.40	155	120
Kress	960,855	2,075,526	5.01	14.15	98	95
Butler Brothers	747,524	*5,900,259	3.78	*29.95	53	39

*Before Federal Taxes.

TABLE III.—GROCERY CHAIN STORE STATISTICS.

Company	No. of Stores	Gross Sales, Year ended December 31, 1920
American Stores Co.	1,400	$108,000,000
Great Atlantic & Pacific Tea Co.	4,628	240,000,000 (One mo. est.)
Jones Brothers Tea Co.	263	20,500,000
Piggly Wiggly Stores, Inc.	349	29,400,000

F. W. WOOLWORTH COMPANY

In the public mind "chain stores" and "Woolworth" are synonymous terms. The Woolworth "Five and Ten" stores are a familiar feature in all the larger cities in the United States. An examination of the operations of this company confirms the assertion that in a period of waning prosperity the public turns to where the lowest priced articles can be bought. Gross sales increased from $119,496,000 in 1919 to $140,919,000 in 1920, which shows a very admirable rate of expansion in business. While the number of stores in operation increased from 1,081 to 1,111, the growth in sales is only in part attributable to this fact, as the average sales per store increased from $110,542 to $126,839. That the profits did not show an increase commensurate with the expansion in gross business is due largely to heavier Federal taxes and an arbitrary deduction from income for depreciation, which is to be commended for its conservatism rather than its correctness. Before allowances for depreciation or taxes the operating profits were $16,553,855, or approximately $14,900 per store, compared with $10,361,556 or $9,585 per store in the previous year. After deducting $2,300,000 for taxes and $4,478,604 for depreciation of inventory, the profits stood at $9,775,251 or $8,798 per store. Obviously there was no necessity for writing down inventory values in this instance. Declining prices does not mean that the article that formerly sold for ten cents in the Woolworth stores will now sell for nine cents, and accordingly there was no prospect of a loss on inventory. **The net effect of such a policy is to add to the profits of the coming year.**

Balance Sheet Position

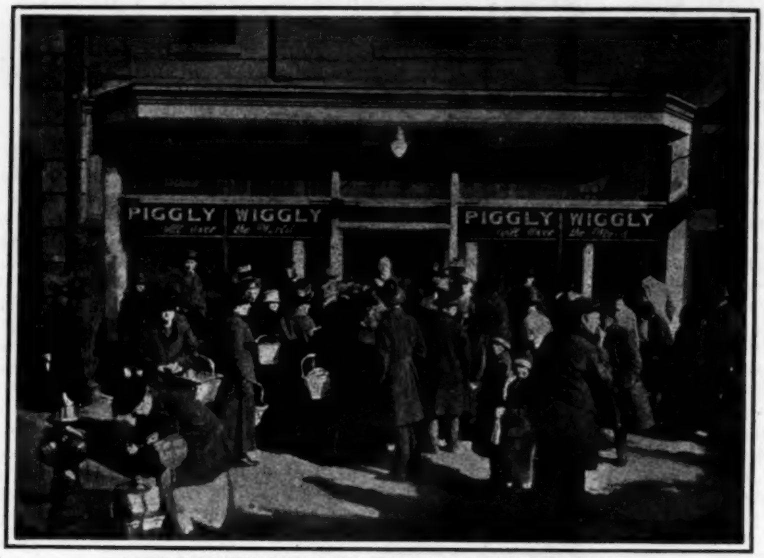
Woolworth's condition at the close of the year indicated a most satisfactory position. Current assets were $23,318,321 against current liabilities of $3,341,988, giving the company net working capital of about $20,000,000. Some $18,500,000 consists of inventory, but the merchandise is low priced, and quick moving so that no losses may be anticipated from liquidation. Its cash alone exceeds its entire current indebtedness, a feature that is

significant of strength when the situation of other concerns with huge bank loans and "frozen" inventories is taken into consideration. Dividends of 8% annually are being paid on the stock, so that at a price of 114 it gives a yield of approximately 7% in cash. There is no likelihood of the dividend being reduced, and holders of the stock may feel reasonably assured of a continuance of dividends at this rate. To maintain the 8% rate on $65,000,000 of common stock, requires earnings of $5,200,000 annually, and for 1921 the dividend should be earned at least twice, with a good margin to spare; and very possibly it will be three times. If the company continues as heretofore to pay out approximately half of its profits in dividends, stockholders may expect an increase on the 8% rate within the next year or two. In this connection it is pertinent to point out that the rate has been consistently increased from 2% in 1912 to 5½% in 1913, to 6% in 1914, 6¾% in 1915, 7¼% in 1916, and 8% since. Last June a stock dividend of 30% was paid in addition to the cash disbursement, and the 8% rate maintained on the new capitalization, which is in effect an increase in the rate.

Woolworth Common at 114, the price prevailing at time of writing, seems to offer attractive speculative opportunities, if held for the long pull. Undoubtedly the company will continue to grow, with the prospects of corresponding increases in profits very bright, particularly in the present year with its inventory valued ultra-conservatively, cost prices falling without any decline in sales value, and business expanding through the addition of new stores. In the meantime, while waiting for probable appreciation in the value of his holdings, the investor, if an owner of Woolworth common may be so called, is receiving a return of approximately 7%, based on current price levels.

S. S. KRESGE COMPANY

Another successful "five and ten" chain is the S. S. Kresge Company. Strictly speaking it is not a "five and ten" as it carries fifteen cent articles, and in some of its green front stores has set a maximum price of one dollar for articles, but in the public mind it is classified as a "five and ten." Its field of operation is at present confined to the territory north of Richmond and east of Lincoln, Nebr., so that as yet it has not invaded the far west, south or southwest, which therefore presents a potential ground for future expansion. **Although the company has only 188 stores, or approximately one-sixth of Woolworth's 1,111, its business is more than one-third that of its giant competitor.**



THE OPENING OF A NEW PIGGLY WIGGLY STORE

"All Over the World" is the slogan of this progressive chain store enterprise, which has contracted for opening 100 additional stores.

Results in the way of increasing sales in 1920 showed a favorable degree of growth. Gross business in 1920 totalled $51,245,000 compared with $42,668,000 in 1919, while the average sales per store were $272,581 compared with $243,817, indicating, as in the case of the Woolworth stores, that increased sales were a result of more business per store rather than the introduction of new stores. Profits also show an increase, the net for 1920 being $2,753,506 as against $2,280,201 in the previous year.

It is of interest to note that retailing the same kind of merchandise in the same kind of stores, the average sales per store of the S. S. Kresge are more than double those of Woolworth, but the percentage of profits on sales of the latter are larger if we ignore the inventory depreciation. Greater sales per store of the Kresge organization is explained in large measure by the higher prices of the articles sold, while the greater percentage of profit on sales in the case of the Woolworth is due to its larger scale operations which permit lower production costs.

Net Working Capital Over $6,000,000

After deducting current liabilities the company shows net working capital of over six million dollars. Its inventory amounts to $7,351,039 and shows a moderate increase both in total volume, and per store, over that of December 31, 1919. There is no reference in the annual report to the general writing down of inventories nor was there any apparent necessity for such, as prices are standard in the stores. During the year 1920, the management made a new departure in acquiring a manufacturing subsidiary to supply part of its requirements. As yet, only dishes and pottery are being manufactured direct for the stores, but this action may presage a general policy of gradually furnishing the stores from the company's own factories without recourse to intermediary interests.

Kresge common is now paying regular dividends of 6% annually, to which ½% extra was added in 1920. **At a price of 140 it yields only 4.3%, based on the regular rate, and is therefore obviously selling on its future possibilities rather than its present performance.** Earnings of $2,753,506 in 1920 were equivalent to $26.13 on the common leaving its present dividend earned more than four times. If this standard of earnings can be maintained, the company might well place its stock on a 10% annual dividend basis, or declare a stock dividend out of its existing surplus and pay 6 or 8% on the adjusted capital. Beginning 1922, at least $500,000 will have to be provided annually out of earnings for retirement of the serial notes, but even with this deduction, earnings should be at least 20% on the present capital. It is well to remember that a price of $140 per share discounts possible forthcoming favorable developments for the stock. In the writer's opinion the present market for the common shares reflects their value on the assumption of a dividend basis of 10% annually on the present capitalization, and any increase in the dividend therefore up to 4% over the current rate seems to have been covered. Both from the point of view of present yield and future potentialities Woolworth appears a more attractive buy. Public interest in Kresge common, however, appears very slight, the total sales of stock in 1920 only amounting to two hundred and twenty shares.

S. H. KRESS COMPANY

Closely resembling the S. S. Kresge Company, in name, business and magnitude is the S. H. Kress Company, operating five, ten and twenty-five cent chain stores, to some of which a mail order business is attached. There are about 145 stores located mainly in the south and southwest, which cover the field unoccupied by the Kresge organization. Last October the company extended its operations eastward by opening up its first store in New York, which is in all probability the precursor of other stores in the eastern and northern states.

Like the other "five and ten" chains the sales of S. H. Kress & Company showed steady improvement in 1920, gross business for that year amounting to $28,973,847, contrasted with $25,244,130 in 1919. Average sales per store were $200,000 as against $175,530 in the previous year, which conforms with the experiences of Woolworth and Kresge. Profits failed to keep pace with the growth in business, and fell from $2,075,826 to $960,855 in 1919. Inventories at the close of the year including merchandise in transit, were $4,525,702 or some $160,000 higher than at the end of the preceding year. The

company's cash alone exceeded its entire current liabilities, and its net working capital approximated $6,000,000, which reveals a favorable position.

As in the case of Kresge, public interest in the Kress stock seems to be lacking. The turnover for 1920 was only two hundred shares. Dividends of 4% annually are being paid on the stock, against which 5% was earned in 1920 and 14% in 1919. The 5% profits last year are not the true measure of its earning power, which is nearer the 14% mark of 1919, but in view of the comparatively slight margin of income over dividends in 1920, there is little likelihood of any immediate increase in the dividend rate. **Accordingly, the stock at a price of 85, yielding 4.7%, appears too high, and selling out of line with the prospects for the immediate future.**

Their Preferred Stocks

Investors looking for a good preferred stock investment will find the preferred issues of either of the three foregoing companies worthy of attention. The dividend on Kress preferred was earned over four times in 1919. Net current assets alone are $177 per share of the preferred. At the asked price of 93, the yield is slightly better than 7.5%, which is attractive in view of the high degree of safety. Kresge's preferred dividend was earned nineteen times last year and sixteen times the year before. Working capital, after deducting both current liabilities and funded indebtedness, is in excess of the total preferred stock outstanding. Based on the asked price of 103, the annual return is somewhat under 7%. The strength of Woolworth preferred is too well known to need detailing, and is reflected in an asked price of 110 for the stock, at which level it yields about 6.33%. It is probable that the buying point of all three stocks would be a few points less than the asked price, which means a slight increase in the yield.

PIGGLY WIGGLY STORES

None of the chain store systems has experienced the phenomenal growth of the Piggly Wiggly stores. Commencing with one store opened in September, 1916, the system has grown steadily until there are now altogether 540 stores doing business at the rate of nearly $60,000,000 a year; and contracts have been made during the last two months for opening more than 100 additional stores. These are cash-and-carry retail grocery stores selling the best known brands of standard groceries on the self-service principle.

The customers select of their own accord the articles desired from shelves on which the prices of the goods are plainly shown by price tags. On entering the customer takes from a rack a basket loaned him for use while he is in the store. All articles selected are placed in the basket and when he has completed his purchases the customer passes in front of paying station where a clerk quickly makes out a ticket on an adding machine, collects the amount of the purchase, transfers the articles to a paper bag, and the customer files out through a turnstile while the clerk returns the basket to its rack. The display shelves are so arranged that the customer is compelled to pass in front of every article in the store before he leaves it. The mental suggestion in seeing every article is said to result in a much larger volume of sales than in ordinary stores. In a Piggly Wiggly store, the standard dimensions of which are about 25 feet wide and 50 feet long, sixty or seventy persons can make their purchases at one time; while in the ordinary, old-fashioned, retail grocery store the number of customers waited on at one time is limited to the number of clerks employed. In a grocery store, as in most other retail stores, clerks' hire is the chief item of operating expense. In Piggly Wiggly stores this expense is reduced to a minimum. There are many systems of grocery stores where the customer pays cash and takes away his purchases; but in Piggly Wiggly he not only does this but makes his purchases without taking up the time of a clerk. The Great Atlantic & Pacific Tea Company sells about the same class of foodstuffs as Piggly Wiggly does, and has about the same number of clerks per store, namely about three, but Atlantic & Pacific does an annual average volume of $50,000 per store while Piggly Wiggly stores sell more than $120,000 per store per year.

Until January 1, 1920, stores were operated by private owners who paid the Piggly Wiggly Corporation a royalty on their gross sales for the privilege of using the system and the name. This name, extraordinary as it may seem, has proven a wonderful trade mark. The success attained by the private operators led to the establishment of a company for the purpose of directly owning and operating stores. This company is Piggly Wiggly Stores, Inc., and its stock is the issue traded in on the Chicago Stock Exchange. The stock has not yet been listed on the New York Stock Exchange; but this will probably be done soon. At the time of its formation this company acquired 124 stores, and since that time additional stores have been acquired or installed, making the total now owned by Piggly Wiggly Stores, Inc., 353 out of a total of 540 stores employing the Piggly Wiggly system. It is learned that during the last two months contracts have been let for the installation of more than 100 additional stores. There are now 66 stores in Chicago, 14 in Milwaukee, 33 in St. Louis, 4 in Cincinnati, 11 in Indianapolis, 38 in Washington, 6 in New Haven and Bridgeport, 35 in Memphis, 9 in Atlanta, etc.

It is reported that preparations are being made to establish Piggly Wiggly stores in Buffalo, Rochester and Syracuse.

It is understood that the management expects that many old style grocery stores will be taken over by Piggly Wiggly organizations.

The gross sales of Piggly Wiggly Stores, Inc., in 1920 were $29,397,882, an average of about $120,000 per store. After the decline in food prices last autumn the management thought it wise to suspend the dividend on Class A stock temporarily. The Class A stock carries cumulative dividends of $4 a share annually, after which it has a participation privilege; so that at present the dividends are being allowed to accumulate.

Following the postponement of the dividend the stock declined on the market from around 40 to 10, from which price it has rallied to 18. The recovery from the unusual conditions of the last six months of 1920 is well nigh completed and it is learned that the net earnings of Piggly Wiggly Stores, Inc., are now steadily increasing and the management expresses confidence that earnings by June will be at a most satisfactory rate. It is predicted that dividends will be resumed within a year at the latest. When the stock again pays its authorized dividend of $4 per share, as it likely will, it should sell at $35 or $40 per share on a basis of as high a yield as 10%. It has a book value of about $32 per share in tangible

(Continued on page 847)

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A STORE DEVELOPED ON THE "SELF SERVICE" PLAN

Interior of a Piggly Wiggly grocery, the customer who being provided with a basket, waits on herself and carries her wares home.

Two Interesting Listings

Lima Locomotive and Union Tank File Interesting Information in Connection with Introduction of Their Shares to Stock Exchange Dealings—Outlook of the Companies

CORPORATIONS whose shares are listed on the New York Stock Exchange have many more or less obvious advantages over those whose securities are dealt in only in "outside" markets or "over-the-counter." Dealings in their securities are under stricter supervision; a freer market is maintained; generally their value as collateral is enhanced, and so on.

So far as the shareholders in these companies are concerned, the same advantages accrue to them from listing as accrue to the corporations. But they have an important additional advantage which may or may not inure to the corporation's benefit. That advantage rises from the Exchange requirement that all companies whose shares are listed shall publish full and complete information as to their condition, properties and financial practises.

It is, of course, not true that all industrial corporations withhold the facts about themselves until something like "listing requirements" compels them to do otherwise. The tendency of corporations toward fuller publicity has become more and more pronounced in recent years.

However, there are always recalcitrants; and it is the stockholders in such companies who benefit particularly when the shares are listed and the listing requirements go into effect.

Two recent listings on the Exchange—Union Tank Car and Lima Locomotive Works—happen to be cases in point. None of the former Standard Oil subsidiaries were over-anxious to give out complete information about themselves, and Union Tank was probably one of the most retiring. As for Lima Locomotive, a policy of silence, which this company has followed throughout most of its forty years, has long since won for it the reputation of being one of the prize "mystery stocks" of the Street.

LIMA LOCOMOTIVE WORKS

With the listing of these two companies, however, there has become available full and complete statements of their physical and financial make-up; and stockholders, perhaps for the first time, have a tangible means of judging whether or not it is likely to be to their advantage to retain these shares.

Lima Locomotive Works is the outgrowth of a concern which, in its time, has gone through two reorganizations; but which has emerged in each case far more prosperous than it had been before.

The "mystery" element in Lima affairs, beyond the usual uncertainty as to where control lay (a Rockefeller combination being reputed in the majority and the du Ponts having been said to have sought control) has been chiefly in respect of its earnings. Earnings of the original company—the Lima Locomotive & Machine Corporation—are available for the years from 1905 to and including 1911. In the latter year the first readjustment occurred, and the name was changed to the "Lima Locomotive Corporation." There was then a lapse of two years during which earnings were not reported. The second concern then published a statement for the succeeding two years (1914 and 1915); whereupon huge war orders, requiring the immediate obtaining of new capital, led up to new financing, another important alteration in the financial make-up, and a third name-change. In the process of readjustment, the 1916 earnings statements appear to have been found unnecessary, for no figures for that year were published.

LIMA LOCOMOTIVE CORPORATION.

Net Earnings Applicable to Interest After Fixed Charges.

1905	$184,135	1914	$101,577
1906	299,000	1915	163,337
1907	476,881	1917	569,883
1908	306,990	1918	2,081,327
1909	110,938	1919	923,735
1910	322,208	1920	1,078,000
1911	257,499		

BALANCE SHEET, DEC. 31, 1920.

Assets.	
Cash	$887,696
U. S. Liberty Bonds	7,000
Notes receivable	19,558
Accounts receivable	3,557,053
Inventories (cost or less)	5,522,830
Land and equipment	3,486,301
Sinking Fund Bonds	474,256
Patterns, dies, etc.	42,500
Goodwill	3,450,742
Deferred	538,788
Total	$17,986,734

Liabilities.	
Accounts and notes payable	$5,963,825
Preferred dividends payable	50,137
First mortgage bonds	2,000,000
Preferred stock	2,865,000
Common stock	4,350,000
Deferred	918,320
Surplus	1,839,452
Total	$17,986,734

The third, and present corporation—the Lima Locomotive Works, Incorporated—filed reports for 1917, 1918 and 1919. So long as its shares continue to be listed on the Exchange, it will continue to file regular reports.

Reference to this phase of the company's history is necessary to explain the gaps which appear in the accompanying tabulation of earnings results. However, despite these gaps it is interesting to note the growth of the company from a concern which earned as little as $184,135 net before interest in 1905 to one which, in the year 1920, turned in a total of $1,078,000 net, or nearly six times as much.

A Good Detective

Looking back over the files of various publications for information as to the early affairs of Lima Locomotive, one is impressed particularly by an article in the May 25, 1918, issue of THE MAGAZINE OF WALL STREET. This article, which refers to the stock of the Lima Co. as then selling around $40 seems to have been the only one published so far back which could give any real inkling of what was going on inside the company. The article, incidentally, warmly endorsed the purchase of Lima Locomotive stock; and it is therefore interesting to note that, a few months later, the shares were selling within a few points of $100 apiece.

Manufacture

Lima's original product consisted in geared locomotives for use on excessive grades and rough tracks, but it soon developed into the manufacture of heavy engines. The company has enjoyed a more than substantial clientele, including the Grand Trunk, New York Central, Mobile & Ohio, and so on.

The first available analyses of the company's yearly sales are found in the recent

FIVE YEAR EARNINGS.

	1920	1919	1918	1917	1916
Earnings after operating expenses	$7,224,982.15	$6,694,168.84	$6,051,375.64	$4,467,465.68	$2,683,145.35
Depreciation	*2,545,438.42	*1,858,826.43	*3,386,334.05	716,313.90	590,820.51
Net earnings	$4,679,543.73	$4,835,342.41	$2,665,041.59	$3,751,151.78	$2,092,324.84
Federal Income and Excess Profits taxes	1,286,490.72 (1919)	1,017,053.69 (1918)	908,415.06 (1917)	41,635.31 (1916)	10,559.23 (1915)
*Includes amortization.	$3,393,053.01	$3,818,288.72	$1,756,626.53	$3,709,516.47	$2,081,765.61

listing statement. In a little over 12 months, to October 31, 1917, the company sold $7,453,000 worth of equipment; in the following year, sales almost doubled, amounting to $13,728,000; in 13 months from November 1, 1918, to December 31, 1919, sales reacted slightly, totaling $9,051,000; but in the 12 months to December 31, 1920, the company's business snapped back up again, aggregating well over $12,000,000.

So far as the immediate future is concerned, Lima's outlook seems well secured by unfilled orders now on its books and exceeding $11,400,000 or within a few dollars of the total business done in 1920.

The company's properties include 54½ acres of land in Lima, Ohio, where are situated 24 buildings of various types, containing over 566,000 square feet of floor space, together with engines, boilers, cranes, machine tools and other equipment used for manufacturing locomotives and locomotive parts. These buildings, the company notes, cover 34½ acres of land, leaving 20 acres available for future extensions, if or when they are warranted.

The company seems to be following a highly conservative depreciation policy. Three per cent. is reserved for depreciation of buildings; 5% for other structures; 7½% for furnaces and shop fixtures; 10% for boilers, machine tools and similar miscellaneous equipment; 15% for metal flasks and portable power tools; and 25% for automobile trucks.

Balance Sheet

The balance sheet as of December 31, 1920, brings out the following points:

WORKING CAPITAL: Current assets, including $887,696 cash, $7,000 U. S. Liberty Bonds and $3,557,053 accounts receivable, total $9,994,146. Current liabilities, including $4,100,000 notes payable, total $6,013,963. Working capital, therefore, amounts to well over $3,900,000.

SURPLUS: Balance to surplus as of December 31, 1919, amounted to $961,000. This item, it develops, was practically doubled last year, closing in excess of $1,839,000.

GOODWILLS Goodwill is carried at $3,450,000, a figure which may be deemed conservative in view of the mature experience of the company, the nucleus of which was formed almost 40 years ago.

Capitalization and Earnings

The capitalization of the company consists of $3,200,000 7% cumulative preferred, of which $2,865,000 is outstanding; and $7,550,000 common, of which $4,350,000 is outstanding. Both stocks are of par value $100. Dividends have been paid regularly on the preferred since April, 1917; but no dividends have yet been paid on the common.

Owing to a change in the fiscal year of the company, to conform with the calendar year, earnings figures are available only for irregular periods. A compilation of the net on the common for the periods noted follow: 1917, $304,991; 1918, $541,863; 1919 (14 months, to December 31), $265,799; and 1920, $878,181. Reduced to a per share basis, the company earned $7 per share of common in 1917; $12.45 in 1918; $6.11 in 1919 (14 months) and $20.19 in 1920.

The funded debt consists of $2,000,000 1st mortgage 6% sinking fund gold bonds, maturing in May, 1932, and constituting a first lien on the entire property. They are redeemable for the sinking fund on any interest day at 110. Some $485,000 of these bonds have been purchased for the sinking fund thus far. They are classed as a high-grade investment which accounts for their present selling price around 97.

Conclusion

Lima Locomotive common is selling at 82 at this writing. It is probably worth just about its present selling price, pending a better feeling in railroad circles. The preferred shares around 90 are not unreasonable.

UNION TANK CAR COMPANY

The listing of Union Tank Car securities on the New York Exchange, just as the listing of Lima Locomotive, calls attention back to a previous article in this magazine. In the October 2, 1920, number, attention was directed to certain striking phases of Union Tank's affairs; and if reference back to that article is made it is simply because many of the conclusions then presented have proven quite accurate and still apply.

Union Tank Car was one of the first of the former Standard Oil subsidiaries to enter the market for new financing. The original financing was the sale of $12,000,000 7% preferred stock. Apparently this amount proved insufficient, as the company shortly afterward sold a $12,500,000 issue of 10-year 7% notes.

Purpose of the financing was given to be the purchase of new cars. In the minds of some good authorities, the question was raised at the time of the financing whether Union Tank was not entering the market at the peak of its carrying business as well as at the peak of construction costs. At the time, it cost over $3,000 to build tank cars, contrasting with a price of around $1,000 before the war. Certainly there has been no increase in this price since then. As for the oil business, the declines registered in crude prices, extending to as much as 50% of their last year levels, is a pretty close index of the tendency in the trade.

UNION TANK CAR BALANCE SHEET
As of December 31, 1920.

Assets:		
Tank car equipment account		$37,206,312.81
Real estate		34,917.87
Office furniture		25,477.04
Shop investment		115,448.01
Current assets:		
Cash	$7,068,468.18	
Marketable securities (at cost which is lower than market value)	1,759,311.00	
Material (at cost which is lower than market value)	981,608.27	
Accounts receivable	1,978,391.51	
Car trust fund	250,550.44	
		12,038,329.40
		$49,420,485.13

Liabilities:	
Capital Stock, Preferred 7% Cumulative—Authorized and outstanding	$12,000,000.00
Capital Stock, Common—Authorized $25,000,000.00; outstanding	12,000,000.00
*Equipment Trust 7% Notes due August 1, 1930	12,500,000.00
Accounts payable	1,265,065.48
Reserve for annuities	162,866.81
Surplus	11,492,552.89
	$49,420,485.13

*Since date of this balance sheet $236,000 Equipment Trust Notes have been redeemed and cancelled.

The number of cars Union Tank has constructed in recent years is shown in the following summary.

Year	Cars Owned	Increase
1916 (Jan. 1)	14,358	....
1917 " "	16,069	1,711
1918 " "	18,065	1,996
1919 " "	20,039	1,974
1920 " "	20,578	539
1921 " "	26,943	6,365
1921 (Feb. 14)	27,720	777

In other words, Union Tank added over 7,000 cars to its equipment in the period from January 1, 1920, to February 14, 1921. So far as is known, these cars were all manufactured in independent shops under contract, it being the impression that the company has, as yet, no construction facilities of its own, although it has purchased a large tract in Allen county, Ohio, where it proposes to erect shops for this purpose.

Balance Sheet Figures

Union Tank enjoys what appears to be a very strong balance sheet position. Following is a comparison of working capital for each year from 1914 to and including 1920 (current assets consisting of material, cash and accounts receivable; and current liabilities of accounts payable and annuity reserves): 1914, $2,232,000; $1,494,000; $704,000; $237,000; $2,517,000; $4,032,000; 1920, $10,260,000.

At the close of 1920 the net assets available for the common shares totaled $23,493,000 or some $196 per shale.

Tank car equipment is carried at $37,000,000. As of February 14, 1921, the company owned 27,720 cars; so that the value placed on each car is $1,340, contrasting with a cost of $3,099 per car for units constructed under the recent contracts.

(*Continued on page* 865)

Wickwire Spencer Steel Corporation

A Complete and Unified Wire Merger

Diversification of Its Business, Complete Control of Its Supplies and Operations, and Centralized Management Should Enable This Merger to Show Uniformly Excellent Earnings at All Times

By C. L. JAMES

THE test of every investment is not how the company behind the security acts in periods of great prosperity, but how it acts during the periods of great and general business depressions. From the investor's standpoint the more nearly uniform the earnings and operating conditions, the closer to ideal is the investment; however, from the speculator's viewpoint this feature is of little interest.

It is a matter of history that companies furnishing diversified and miscellaneous products come closer to uniform earnings than any other kind. Many large concerns which furnish only a few particular lines, while making excellent progress during certain periods in their existence, have suffered heavy operating deficits in periods of great stress.

When a company does a miscellaneous business, when one line is dull, the demand for some of its other products is as likely as not booming, and the plants can be thrown over to meet this business. When the need in such cases has been satisfied, then something else awakens and thus the plants are kept running at high operating efficiency at all times.

The value of having diversified products has been so well brought out by actual experience that some of the large corporations have put in miscellaneous lines merely as a factor of safety in times of depression.

Wickwire a Unique Business Structure

The Wickwire Spencer Steel Corporation is unique in its business structure. This company was incorporated in 1919 for the purpose of acquiring the entire properties of the Wright Wire Company, the Clinton Wire Cloth Company, and the Morgan Spring Company. The original name was Clinton-Wright Wire Company, but by a certificate of amendment filed and approved in 1920, the name was changed to Wickwire Spencer Steel Corporation, its present title, and this latter acquired all the common stock of, and merged with the Wickwire Steel Company.

The merger involved the consolidation of a number of concerns, some of which had been conducted successfully since 1820, while the youngest, with one exception, was founded in 1883; in fact, the constituent companies of this merger have an average commercial history of more than fifty years. This business history means a great deal. To have successfully come through all the varying commercial experiences of the past half century denotes a strength and stability rarely, if ever, surpassed in any industry.

TABLE I.—WICKWIRE SPENCER STEEL CORPORATION.
GROSS SALES OF THE VARIOUS PLANTS BEFORE CONSOLIDATION.

Year	Worcester and Spencer of Spencer Wire Co.	Worcester and Palmer of Wright Wire Co.	Worcester of Morgan Spring Co.	Clinton of Clinton Wire Cloth Co.	Buffalo of Wickwire Steel Co.	*Total
1915	$1,865,103	$1,945,618	$584,091	$1,446,786	$2,318,770	$8,960,368
1916	2,938,682	1,934,730	1,092,976	1,481,871	4,511,607	11,959,866
1917	4,506,095	2,806,647	1,483,424	1,908,991	7,614,665	18,319,822
1918	5,407,302	4,049,536	2,032,756	2,284,892	10,787,241	24,561,727
1919	5,135,475	4,771,989	2,496,875	2,890,594	10,025,425	25,320,358
1920	Total net sales for complete merger					32,623,894

*Totals are approximate since there were not only varying fiscal periods but also different systems of bookkeeping.

Units Not Originally Competitive

The business of this corporation is, in itself, a large and important industry, independent and self-contained, and the complete and modern plants carry forward all the steps of production and manufacture by which iron ore, the basic raw material, is in turn transmuted into pig iron, steel ingots, wire rods, and every conceivable form of wire product that the market demands. The companies previous to consolidation were not in competition, except in some of the minor lines of the finishing plants, but instead were engaged each in different stages and processes of the production of wire goods.

The advantages that were gained by consolidating, are security of supply of raw material in one branch, and a market for the products of the other branch. In the latter respect, the company, by ownership of interests in certain ore mining concerns, secures iron ore in the Lake Superior region and transports this ore in steamers controlled by associated interests, from Duluth to its large plants on the Niagara River at Buffalo where the ore is smelted, and the metal is thence transported in the form of wire rods to its various other plants. The geographical situation of the company and its transportation facilities are especially favorable; the ore from the ranges travels in almost a straight line east through Duluth to Buffalo and thence, in the form of wire rods, by rail to the Massachusetts properties.

Not only have the above mentioned advantages been secured, but the increased output due to greater efficiency of large scale operation and unified control has greatly increased the earning possibilities of the corporation. Duplication of equipment and of effort has been eliminated, and the overhead expenses have been greatly reduced, not only in the operating end but also in the selling and administration branches of the business. To show one case in point, the expenses connected with the storage warehouses and the delivery of products in New York City alone,

TABLE II.—RESULTS FOR YEAR.
Ending Dec. 31, 1920.

Net sales		$32,623,894
Cost of sales		25,068,152
Difference		$7,555,742
Deductions:		
Administration and selling expenses	$1,101,494	
Repairs and maintenance	2,100,000	
Depreciation	643,886	
Miscellaneous items and charges	473,615	
Reserve for 1920 Federal Taxes	103,474	
Assumed obligations	262,451	
Total deductions		$4,684,920
Gross profits		$2,870,822
Bond interest		879,550
Net profits		$1,991,272
Preferred dividends		656,924
Surplus for year		$1,334,348
Deductions from Previous Surplus:		
Inventory Adjustments	$1,650,039	
Federal Taxes prior to 1920	279,115	
Total	$1,929,154	

have been greatly reduced, and the effects on earnings should be appreciable.

Earnings

The constituent companies showed excellent earnings even before consolidation and the dividend records were, in most of them, very satisfactory. The average sales of the merged companies during the last three fiscal years ended on or before April, 1919, were approximately $21,000,000; while the sales for the past year aggregated over $32,500,000. The earnings during the period of consolidation were rather poor, which is no more than to be expected; but last year, the first since the merger was complete, the company made a good showing.

At the time of the merger the land, buildings, machinery, equipment and other fixed assets owned in fee, were appraised, after making due allowance for physical condition and fair costs, at a sound value of $20,117,000, and when investments in ore properties of an estimated value of $2,500,000 are included, this total reaches $22,617,000. The net quick assets at the same time were over $9,500,000 making a grand total of all tangible assets of more than $32,500,000 which is exclusive of patent, good-will or going concern values.

Against this property there is a $12,500,000 first mortgage 7% sinking fund bond issue, which constitutes the only funded debt of the company. Junior to this is $10,000,000 first preferred 8% cumulative stock (increased in February, 1921, from $7,500,000 which was the original amount of the preferred). The common stock of the corporation is divided into two kinds, namely, Class "A" common, which is entitled to cumulative dividends at the rate of $4 per share per annum but does not share in any further distributions of earnings; and the plain common stock. There are at the present time 80,000 shares of Class "A" common outstanding, and 250,000 shares of common. The Class "A" common shares and the common shares are of equal status as to assets, and have a nominal or par value of $5 per share, since under the Massachusetts laws a nominal or par value of at least $5 a share is required.

Conclusion

The diversification of business conducted by this concern should enable it to maintain good earnings even under most trying conditions of general business depressions.

Not only should this diversification be an important factor to the investor, but the unification of the industry with complete control of the raw supplies, together with the elimination of waste, overhead expenses and lost motion, should place the company in a most attractive position.

The 7% bonds are amply secured by first mortgage on valuable properties, in fact, at the completion of the merger it was shown that the total net tangible assets behind each $1,000 bond amounted to more than $2,500. This bond should make an excellent investment and at the last sale price of 92¼ yields approximately 7.9% to maturity.

The preferred stock quoted around 92 is closely held and would not be a practical investment for the average man due to the limited market, though the assets behind the issue and the earnings justify a good rating for this 8% cumulative first preferred. Both classes of the common stock are still in the speculative class, due to the fact that the company, under its present corporate structure, is still young.

However, these issues should bear watching in a year or two from now, at which time the company will have some history as a consolidation which can be examined and which will form a better basis for judgment. The Class "A" common entitled to 4% cumulative dividends but no more (see above) is practically all privately held. The plain common shares are listed on the N. Y. Exchange and sold recently at 16½.—vol. 27, p. 571.

TABLE III.—NET PROFITS AND DIVIDENDS OF PREDECESSOR COMPANIES.

	Spencer Wire Co.		Wright Wire Co.		Morgan Spring Co.		Clinton Wire Cloth Co.		Wickwire Steel Co.		Total Net
Year	Net Profits	Div.	Net Profits	Pref. Div.	Net Profits	Div.	Net Profits	Div.	Net Profits	Div. %	Profits*
1914	$205,015	12%	$66,711	7%	$8,104	1%	$269,881	10%	$254,782†	Nil	$294,980
1915	674,557	12	69,004	7	78,683	Nil	145,715	10	273,850	Nil	1,241,909
1916	1,076,753	17	279,488	7	345,916	7	226,565	15	640,546	Nil	2,560,598
1917	992,566	18	669,815	10	374,699	6	348,962	198	164,706	10	2,850,658
1918	566,645	20	213,190	7	490,308	10	345,190	15%	168,656	10	1,753,991
1919	Combined results for varying periods up to Dec. 31, 1919 (approximate)										570,505
1920	Results for first year of complete merger: After depreciation, interest and taxes										1,991,272

*Totals are approximate since there were not only varying fiscal periods but also different systems of bookkeeping. †Deficit.

CHAIN STORES UNHARMED BY PRICE DECLINES

(*Continued from page* 843)

assets. Inasmuch as the company has demonstrated what it can earn in normal times and in view of the potentialities of the Piggly Wiggly system the Class A Stock looks like a bargain at prevailing prices.

BUTLER BROTHERS

Butler Brothers is different from the usual run of chain systems in that the merchandise is sold to wholesalers rather than retailers. Distributing and sampling houses containing general merchandise such as dry goods, clothing, sporting goods and miscellaneous novelties are located in all largest cities of the United States.

Readjustment in 1920 hit the company severely. In 1918 the net profits were $6,451,746; in 1919 they were $5,990,259, and under the stimulus of booming business in the first half of 1920 they amounted to $5,500,000.

The drastic fall in values and slackening up in business that characterized the latter half of the year, wiped out the profits of the preceding half leaving only $747,524 net for the year. Goods sold in the last quarter alone depreciated some $2,900,000, while to adjust inventories to prevailing markets at the end of the year required writing off approximately $4,821,000 from income. Inventories are shown at $22,304,607; accounts receivable at $16,957,820 and cash at $2,714,062 against bank loans and accounts payable of $11,042,449, leaving the net working capital of over $30,000,000 which is ample, although it is not as liquid as that of the retail chains.

Despite the loss of profits, the dividend rate which was advanced to 12½% in April was maintained. The stock, with a par value of $20, selling about 38 paying dividends of $2.50 per share annually gives a yield of about 7%. To meet present dividend requirements $3,125,000 of earnings are necessary, and in view of the existing business stagnation the directors may question the conservatism of continuing the dividend. If one thinks the dividend is safe, the stock appears to offer fairly good opportunities at present prices.

General Outlook of Chain Stores

Chain systems with a fixed standard of prices such as Woolworth and Kresge are in an enviable position. Prices with them will remain as heretofore, while production costs are decreasing which means greater earning capacity. Others, with variable prices, which have adjusted their inventories to conform with current commodity levels and taken their losses in 1920 are also strongly fortified. Goods on hand can be sold at a profit, and the quick turnover gives them the opportunity to cope promptly with any further price changes. Sales may be decreased in value because of lower price levels, but from present indications there is every likelihood that the year 1921 will bring greater prosperity for the chain system than its predecessor.

The experience of the year just gone shows the inherent soundness of the chain store. Even though caught in the maelstrom of deflation, the companies have not been whirled into the difficulties attendant upon lack of working capital as have other industrial enterprises. Their immunity is due to the absence of unrealizable accounts receivable and their ability to turn over their merchandise stocks rapidly and other strong basic features.

When readjustment nears completion and business is again in full blast, an era of great prosperity will dawn for the better organizations in this group.

As to American Ice—

What the Company Is Doing — Its Capital Structure — Market Possibilities of the Shares

AMERICAN ICE common sold as low as 8⅞ in 1917. In 1920, the stock reached a high point of 53½. At this writing it is selling around its high. The rather wide fluctuations to which it is subject make it an interesting issue to watch.

The American Ice Co. was incorporated in New Jersey in 1899, acquiring the business of some twenty independent enterprises engaged in manufacturing and distributing ice and also, to a smaller extent, selling coal and wood. American Ice is both a holding and an operating company, conducting a good part of its business directly, and the balance through the control of subsidiaries.

TABLE I.—SUMMARY OF INCOME ACCOUNT.

	Gross	Net Available for Dividends	Earned per Share Preferred	Earned per Share Common
1910	$8,662,000	$450,000	$3.22	....
1911	9,009,000	596,000	3.99	....
1912	8,638,000	369,000	2.47	....
1913	10,491,000	1,659,000	11.12	$10.67
1914	8,827,000	409,000	2.73	....
1915	8,640,000	520,000	3.52	....
1916	9,173,000	706,000	4.72	....
1917	9,840,000	1,094,000	7.33	2.77
1918	12,623,000	1,208,000	8.10	4.42
1919	15,346,000	2,019,000	13.52	14.97
1920	15,440,000	1,775,000	11.84	11.69

The company proper operates in various parts of Maine, New Jersey, Pennsylvania, Maryland and the District of Columbia, including Philadelphia, Baltimore and Washington. Its subsidiaries, the Knickerbocker and Merchants Union Ice companies, sell both artificial and natural ice in New York City. The Boston Ice Co. produces and sells both kinds of ice in that city. The statement filed by the company in connection with its application to have the shares listed on the New York Exchange in 1917 stated that about 70% of the aggregate sales were represented by artificial ice.

Business Distribution

The detailed figures contained in the listing application showed the following division of gross and net earnings in 1916 (subsequent data not available):

	Gross	Net
American Ice Co. proper (Philadelphia, Baltimore, Washington, etc.)	41%	47%
New York City	41	47
Boston	16	5
Elsewhere	2	1
Total	100%	100%

Capitalization

There was originally issued $15,000,000 of 6% cumulative preferred stock and $25,000,000 of common, both of par value $100. In 1909 the common stock was reduced to $7,500,000 by the voluntary scaling down of holdings. In 1917 the preferred stock was made non-cumulative by charter amendment. The present capitalization is thus $15,000,000 6% non-cumulative preferred and $7,500,000 common. The company has also outstanding $6,461,500 of indebtedness as follows:

Underlying bonds of subsidiaries	$273,500
Collateral Trust 5s, due 1922	945,000
1st and Genl. 6s, due 1942	5,213,000
Real Estate Mortgages	29,500
Total	$6,,461,000

From 1905 to 1917, American Ice Securities Co. owned 99% of the preferred and 94% of the common stock of American Ice Co. In 1917 the holding company was dissolved, in the interests of economy, and the American Ice shares distributed pro-rata among the stockholders. To redeem bonds of the holding company, its stockholders were privileged to subscribe to American Ice preferred at 66 with a bonus of 40% in common.

Sales and Profits

Appended tables show the fluctuations in the company's sales and profits from 1910 to and including 1920. Its irregular dividend rate is also shown. In December, 1919, the company placed the preferred stock on a regular 6% basis and declared a dividend of 4%, payable in quarterly instalments, on the common shares.

TABLE II.—DIVIDEND RECORD.

Dollars per Share.

Year	Preferred	Common
1899	$1.50	$1.00
1900-1	6.00	4.00
1902	3.00	....
1903-5	...	....
1906	3.00	....
1907-8	...	....
1909	1.50	...
1910-14	1.25	....
1915	1.50	....
1916	1.25	....
1917	3.75	....
1918-19	6.00	....
1920	6.00	4.00

The October 31, 1920, balance sheets show water and patent rights and good-will valued at $17,045,000. The listing application, referred to above, showed that the American Ice Co. valued its good-will alone at $11,852,000. According to the latest report, the net tangible assets aggregated $12,446,239, or only $83 per share of preferred, leaving nothing at all for the common. This is despite the fact that since 1912 the surplus has increased over $5,000,000, or the equivalent of $53 per share of common.

On October 31, 1920, the current assets totaled $3,654,071, of which $1,522,165 was in cash and Government securities; the current liabilities were $1,211,275; and the working capital $2,442,796.

Management

The president of the company is Wesley M. Oler, and the directorate includes Alvin W. Krech of the Equitable Trust Co.

Critical Analysis

The outstanding feature in the exhibit of the American Ice Co. is the small proportion of common stock to total capitalization. The various classes of securities bear the following relation to total capitalization:

Class	% of Total
Bonds	22.6%
Preferred Stock	51.6
Common	25.8
	100%

Since only one-quarter of the company's capital is represented by common stock, very moderate changes in net profits result in wide fluctuations on the junior shares. For example, from 1917 to 1919 sales increased 56% and operating income 86%; but the earnings on the common rose from $2.77 to $15.97 per share, or 540%. The price of the junior shares, incidentally, advanced during this period from a low of 8⅞ to a high or 76¼, or over 750%. The other side of the picture is shown in the 1914 results. In that year a falling off of 15% in gross and 70% in net entirely wiped out the excellent earnings of $10.67 per share reported on the common in 1913.

From an investment view point, this capitalization structure is an unfavorable element as regards all the company's securities. In particular, the margin of safety behind the preferred seems inadequate, as is shown by the fact that the 6% dividend was not earned in six out of the last ten years. Moreover, the large earnings recently shown by the common shares are likely to be illusory and subject to radical shrinkage should net profits decline only moderately. In this connection it is to be noted that the company's gross business was slightly smaller in 1915 than in 1910, showing a tendency towards stagnation. The subsequent increase of 90% between 1915 and 1919 is largely accounted for by the higher price for ice.

Conclusion

Those who investigate the position of the American Ice Co. number among the

favorable features a fairly stable demand for its product, recent large earnings, the probability that these earnings will continue during the current year, recent high dividend returns and a satisfactory working capital position. On the other hand, the fact that only about one-quarter of the company's capital is represented by common stock—thus representing what might be called a "top-heavy" financial structure—moderate changes in net profits are almost sure to result in wide fluctuations in the earnings on the junior shares; and a falling off in the price of ice, along with other commodities might easily eliminate the earnings on the common stock.

There is an important difference, worthy of note, between the ice industry and the refrigerating industry. The manufacture and marketing of ice, either natural or artificial, is quite a different thing from the manufacture and marketing of refrigerating equipment. The refrigerating industry has made great strides forward in recent times and its growth forecasts important competition for those engaged in manufacturing and selling artificial ice.

The foregoing factors lead to the beleaf that American Ice shares are not entitled to an investment rating. On the other hand, the common appears to be in a good technical position at this time and bears watching from a speculative viewpoint.—vol 25, p. 300.

Columbia Graphophone Manufacturing Co.

Columbia Graphophone's Real Status

Facts Contained in Annual Report Contradict Assertions of Official—Bad News Now Probably "All Out"

By **RALPH RUSHMORE**

NUMEROUS developments in the affairs of the Columbia Graphophone Company in recent months call for comment.

The publication of the annual report of the company, although it had been forecast quite accurately in a previous review of this company, discovered a weaker asset position than had been understood to exist. Inventories, revalued as of December 31, 1920, stood at $23,235,574, instead of $22,812,911 as of September 30, 1920; while accounts receivable, which had been officially set at over $10,000,000 on September 30 were scaled down to something over $5,000,000 at the close of the year.

Furthermore, the rumors circulated last Fall that Columbia Graphophone intended to either reduce or pass its common dividends have proven true. At the last meeting of directors the company passed the usual quarterly dividend of 25 cents and one-twentieth of a share of common stock on the common stock per share.

Also a serious decline in the company's net earnings were shown to have occurred in the 1920 report. Earnings in the previous year had amounted to some $3.32 per share of common stock; whereas in 1920 the company's earnings amounted to $5.87 on the preferred.

Two other developments worthy of note have been a "cut-price" campaign on Columbia Graphophone products, especially records; and a change in the personnel of the management, former President Whitten becoming chairman, and Mr. Van Horn Ely replacing him as president of the company.

Facts Revealed in Annual Report

Practically none of these developments was foreseen up to the time the company's 1920 report was published. Indeed, the likelihood—even the possibility—of any such reverses in the company's affairs was apparently unappreciated even by people inside the concern. Thus, on January 5, 1921, Mr. Francis S. Whitten, who had just been elected chairman of the board, authorized a statement to the effect that the company had just closed "the greatest year in its history, both as to gross sales *and net earnings.*" As suggested to the writer of this review by another official of the Columbia organization, it may not have been Mr. Whitten's intention to claim record net earnings for the entire calendar year 1920; but since the company's fiscal year and its calendar year are one and the same, the remarks he authorized could only be interpreted in one way.

People who investigated the company's affairs early this year and late last year were similarly misled—possibly without reason—by Mr. Whitten's remarks as to the company's dividend prospects at that time. A rumor had been circulated that the dividend would be reduced or passed; but this rumor was nailed by the remark that "the directors have not yet discussed the subject, even informally." Perhaps it should have been realized that this remark in no way purported to forecast what the directors would do when they did start talking things over; but it was not so realized, and the belief gained currency that the regular dividends would be declared.

This view was strengthened by the flat statement that the company's net earnings for the year had been at a record rate.

The True Condition

Now that the annual report has revealed the true condition of the company and its actual results from operations in 1920, it may be well to briefly review its condition:

The large loss on the year's operations which the company suffered in 1920 was attributable almost entirely to the general slump which set in last Fall, and which occurred when Columbia was loaded up with cabinets and supplies; was paying out considerably more money than it would normally for selling and advertising—in other words, when it was least prepared for a bad setback. (It will, of course, be noted that Columbia was not unique in respect of being caught "unprepared." The commodity price decline of last Fall and Winter was not expected by the most sagacious and far-seeing business organizations.)

Writing off $1,971,000 of inventory to balance price declines, the company had left but $580,000 available for preferred and common dividends. Payment of both produced a deficit of approximately $1,500,000, and the surplus, which had been better than $2,854,544 on December 31 of the previous year was reduced to $1,019,589 on December 31, 1920. There, in brief, is an accurate picture of Columbia Graphophone's 1920 year.

Company's Outlook

The present and immediate future of the company depend, of course, upon the extent to which general business picks up. It is passing through a period of liquidation now. Although its products cannot be described as out-and-out luxuries, the demand for talking machines and records certainly fluctuates closely in accord with "prosperity." If business does pick up on any large scale the company should be able to liquidate its stored goods in short order; if no important improvement is registered, the company's future will depend upon its ability to cut down expenses.

The new president gave some attention to the latter point in his remarks to stockholders when he said: "Net earnings were less than last year on account of the substantial increased cost of raw material and labor, and high selling and advertising expenses." He also referred to the gross sales tax levied on Columbia Graphophone which cost the company some $2,000,000 in 1920.

The common shares of the Columbia Graphophone Company have gone through some remarkable gyrations since they were issued in exchange for stock in the old American Graphophone Company. The high point of 75¼ was reached in 1919, since which time the shares have declined to a recent low of 5½.

The preferred stock, which has sold as high as 95½, sagged off this year to close to 40.

Both issues recovered somewhat from their record lows following the publication of the company's "bad news."

Conclusions

Columbia's inability to make a better showing, in respect of net earnings, on the huge volume of business done in 1920 makes it necessary to qualify opinions previously expressed as to the outlook for the shares. These opinions, of course, were based on misleading statements made by others and noted above.

The sharp decline suffered by these stocks has undoubtedly discounted most of the bad in the situation. Both the common and preferred should recover in time.—vol. 27, p. 393.

Courtesy National City Co.

Building Your Future Income

The Affable Man with the "Proposition"

DID you ever listen to the affable man with the "Proposition"?

Did he tell you that Mr. Smith of the First National Bank suggested your name to him and that Mr. Smith is "one of us," and that he wants you to be "one of us"?

Did you gather at the outset that being "one of us" meant that the man with the Proposition wanted you to give him a check for stock in his proposition, principally because Smith of the First National Bank got his stock for nothing?

Did you omit to see Smith of the First National Bank and ask him a few questions?

Did the man with the Proposition say anything about the "Ground Floor"?

Did he tell you that the Ground Floor meant supplying funds for some promoters either to experiment with or to swagger on?

Did he show you some statistics as to what other similar companies had done in the matter of earnings?

Did he show you records of lost opportunities, where short-sighted men turned down Bell Telephone when it was first offered and what they would have today if only they had invested then?

Did he read quotations from multi-millionaires and captains of industry advising young men that the road to riches lay in getting in on the ground floor of new industries?

Did he explain that these quotations for the most part, were from men now dead?

Did he kindly tell you that you needn't pay for the stock until fall and later shove a series of blank promissory notes under your nose to sign?

Did the man with the Proposition generously offer to buy back your stock himself within a certain time if for any reason you became dissatisfied with your investment?

Did he promise you that on the 10th of the month the stock would go on the Exchange and your proposed holdings would double in value at that happy time?

Did he pronounce eloquent encomiums on the officers of the company of all of whom you have never heard?

Did he estimate the probable profits figuring everything most "conservatively" and then say, "Well, let's cut it in two" and "Then let's cut it in two again, and see what we have! My God, man, this is the greatest proposition you ever heard of"?

Did he want to close the deal then and there, and point out the weakness of deliberation, the folly of your consulting with anyone, and the grandeur of being able to make up your own mind?

Did he take you to lunch, ride you in his new car, agree with you in politics, prate of his own honor, laugh at your jokes and praise the baby? If the man with a Proposition did these things, you have enjoyed a glimpse of *blue sky.*

A NEW RUSE

The Virginia Bankers' Association has unearthed this one:

"A stock salesman secures a list of prominent farmers. He approaches the farmers and endeavors to sell them stock in his company, having first secured from the Corporation Commission the right to sell stock under the 'Blue Sky Law.' The farmer tells him that, while he is perfectly willing to buy the stock offered, he has no ready cash, but that, if the salesman will take a note, he will take so many shares of stock. The salesman knows that the farmer's note is good and, therefore, takes his note for say, $500, and delivers five shares of stock to him.

"He then takes the note to the farmer's bank and persuades the banker to buy the note from him but, instead of giving him cash, to give him a certificate of deposit drawn to mature two weeks after the maturity of the farmer's note. The salesman explains to the banker that he will have the opportunity to collect the note before the certificate of deposit matures. As an extra inducement to the banker, he allows him to draw interest on the note of the farmer from the date that it is made to the date of maturity, and thereafter, if not paid, at maturity; and he does not require interest on the certificate of deposit.

"Having secured the certificate of deposit the salesman forwards it to the company he represents which uses it as collateral against its note, borrowing money from some bank other than the issuer of the certificate of course. This puts both the farmer's note and the bank's certificate of deposit in the hands of innocent holders for value. This prevents the farmer from recovering from the company on his note in the event that the project proves to be a fraud or the company fails, and the bank issuing the certificate must, of course, redeem it."

How I Became a Successful Investor

Careful Purchases, Well Distributed, Have Nearly Doubled Value of First Savings—Preferred Stocks, and Rules Followed in Buying Them

By **S. L. JOSEPH**

AT the end of my eighteenth year, I had saved two hundred dollars. I saw a bank folder which showed that $1,000 at compound interest for fifty years equaled $18,420. I decided I was going to try this and that I was going to invest my first savings in a real estate mortgage paying me 6%. I also made another resolution to add fifty dollars additional each year. The next year I saved slightly over $250 and invested it the same way. I continued this the following year, but that year I had a slight loss due to a fire in one of the houses against which I held a mortgage. This sting lasted a good many years, and by harder work I made up the loss and at the end of six years I could not tell the difference. I decided it was now the best plan to divide my investments into securities of various kinds.

I entered the field of real estate mortgage bonds. These bonds paid the same return and placed the responsibility of supervision on the company selling me the bonds. The company can also demand more from the property mortgaged.

Picked a Lemon

I later bought a lemon in the form of a mortgage bond of an interurban line in Southern Ohio. I thought I had a mortgage on some valuable property and that the security was self-evident. Like many others I found that my mortgage meant little in the liquidation proceedings which followed. I decided to quit this field due to ignorance in choosing good from poor bonds. This meant hard saving for the next three years and also the placing of a small amount which I had intended using for a vacation toward the saving fund. I was now thirty years of age, and the accompanying table will show you what I had saved.

These figures are not accurate, due to costs of purchasing some securities and variations of interest, and also approximations used in last two columns. Many will probably say we want the use of our money before we are 80 years old. I also figure that way. However, I do not expect to use the money before I am 55 at the earliest, at which time my $8,500 will have doubled itself to $17,000 and again to $34,000. If I am so fortunate as to not need to use the money before I am 65 years old I will have $65,000, which will nicely provide for me.

I wanted to provide for the family in case I should not survive to carry out my plans. I took out $25,000-20-year payment insurance policy and the premium used most of my yearly savings. This policy matures when I am fifty and in case my earning power is lessened I can use this $800, which I am now paying for insurance, for living expenses.

Some Rules Followed

In my 31st year I began to go into the field of preferred stocks. I was very cautious and formulated the following rules, which are not new and I mention them only because many friends have found them very beneficial.

1. The company must earn twice the interest and retirement charges for three years previous.
2. The company must have no bonded debt.
3. Periodic retirement of stipulated amount of the stock.
4. The company shall have little contact with labor.
5. It shall deal with consumers and not be ruled over by the middlemen.

HOW THE COURSE PLOTS OUT.

Savings.

Age	18	$200	
	19	250	
	20	300	
	21	350	
			$1,100
	22	$400	
	23	450	
	24	500	
	25	550	
			1,900
	26	$600	
	27	650	
	28	700	
	29	750	
	30	800	
			3,500
Total			*$6,500

Value in 50 Years.

At age	68	$3,500	
"	69	4,375	
"	70	5,100	
"	71	6,325	
			$19,300
"	72	$7,000	
"	73	7,875	
"	74	8,750	
"	75	9,625	
			33,250
"	76	$10,500	
"	77	11,425	
"	78	12,250	
"	79	13,125	
"	80	14,000	
			61,350
Total			$113,900

*Worth at 30, $8,500 (including interest compounded); at 75, about $100,000; at 80, about $150,000.

6. It shall have products that are used nationally and sufficient variety of products not to be affected by dull business in any particular line.
7. The products shall be mainly necessities.

It is difficult to find many stocks that meet all seven of the requirements, but I have found Sears, Roebuck & Co. and F. W. Woolworth & Co., both of national reputation and having the added advantage of being listed on an active stock exchange. In the past two years many local and national issues have appeared which for practical purposes meet my requirements. At the end of my 35th year I was the proud owner of 25 shares par value $100 of preferred stock.

The U. S. Liberty bonds appeared a little later and I bought heavily. I continued to buy at the market for some time after the armistice. My average income is 5% on my Liberty bonds.

How More Interest Was Obtained

I had a feeling similar to that of the clergyman who wrote an article recently in THE MAGAZINE OF WALL STREET. I wanted to increase my return, as I was falling below my 6% minimum.

I read carefully the railroad issues of THE MAGAZINE OF WALL STREET and acted on what I read. I could not afford to change my policy at this time so instead of buying non-paying stocks I took their advice and bought convertible bonds of the same companies at attractive prices. I have received my income regularly and my bonds have averaged a market rise today of slightly over 10 points. If I hold these bonds until maturity I will have had an income of over 9% on my money. I average this with my Libertys of equal amount and I am now getting 7% on my money.

I immediately saw the advantage of this change and later bought some railroad stock. I did not want any violent fluctuation in the stock so I avoided the so-called leaders, again acted on the same advice and procured New York Central common, and to-day my profit is 12 points; also I have received over 6% on my money.

Savings Doubled in One More Year

If I live another year I will see my first savings of $8,500 doubled, and my life insurance one half paid. This year we purchase a home for $10,000, paying $4,000 in cash and mortgage for $6,000. By terms of mortgage I borrow money at 5%, principal payable in yearly instalments for 10 years. I immediately took out another $10,000 life policy to guard against my death before relieving the mortgage.

I believe that I am a successful investor in that I do not have cause to worry about my future funds and have had many pleasant evenings reading and studying about what I own and what I would have had if I had done differently. I believe I have made more money in a business way as my mind is never diverted by the ticker and I read the financial news only for the enjoyment. The benefit derived in obtaining means to perfect the greatest savings has been the welding force of a happy, peaceful and contented family.

One of the admirable points of this scheme is that it does not rigidly adhere to the Rock of Gibraltar type of investment. Too many investors feel it their

duty to avoid any security which has the slightest speculative tinge just as there are too many who refuse to consider any security which is not likely to move up or down 20 points a day. It seems that a happy medium can be chosen and the foregoing plan is indeed a happy medium between ultra-conservative investment and reckless speculation.

Investors and those who desire to reach financial independence in their maturity can reasonably lay aside part of their savings and funds for re-investment in securities which while comparatively safe still present the opportunity not only of an adequate return on the money invested but of an enhancement in capital value. Thus the New York Central purchase alluded to above, and the convertible bonds, while ostensibly not the safest securities in the world, offered a desirable amount of protection with a fairly good profit.

The desire to invest carefully should not blind the investor to the opportunities which abound in the investment field. A reasonable part of his funds invested in securities which are sound and which offer profit possibilities with the majority invested in the highest type is about as good a combination as can be desired. Otherwise a man might just as well put all his savings in guaranteed mortgages and the like and thus forego all possible chances for a material enhancement of his capital investment. In saving for the future a reasonable amount of risk is not only warranted but is desirable, and if good judgment is employed the risks will have been found to be small indeed.—Editor.

Uses and Abuses of Life Insurance

Weird and Specious Claims Advanced by Some Agents Must Be Guarded Against — Rules to Follow When Insuring Yourself—The Amount to Carry

LIFE insurance is sold in keen competition and by high pressure salesmanship. Consequently, the agents are sometimes inclined to misrepresent in order to gain a commission. Even companies do things sometimes that border on the untrue and the specious. A few companies, for example, have been known to issue what they call a 5% gold bond policy which conveys the impression that the insured will draw 5% on his money during his life. The policy will have handsome coupons attached that look like real money, and the agent does the rest in his eloquent argument.

When a company charges $40 a thousand for insurance and attaches twenty coupons to the policy which will run for twenty years, calls them "dividend coupons," and speaks of "clipping" them, it simply means that, after the first year, instead of paying $40 a thousand you will be paying $38, which was probably the originally intended cost of the policy.

Remember this: Old line life insurance costs the same in practically every company. Companies and actuaries may change the thing around and dress it up, but the cost will be there just the same and the more you pay in the more you will get out. Life insurance actuaries with their companies are something like a milliner with a hundred hat forms and a hundred different colored ribbons. She changes the shape of the hats and color of the ribbons, but they are the same material after all.

Claims Some Agents Make

Sometimes an agent will sell an ordinary life policy for a twenty payment life, and a twenty payment life for an endowment policy. Also an agent will sometimes point out the loan values in his rate book and state that they are cash values, omitting to explain that before you can borrow a certain sum designated in the policy, the company will always take out the succeeding year's premium with 5% interest.

Sometimes an agent will go into a community and establish a board contract. He will select a dozen "representative men," each of whom must take out a big policy, and then to the twelve will go a certain commission on all the business written up in the county. The agent will figure that not only will these 12 men get their insurance for nothing after three or four years, but they will be drawing a handsome amount of commission to boot, in cash. This sounds all right and is a very seductive argument, but it never seems to pan out.

Often an agent will establish an agency company and incorporate it, and option a certain small amount of the stock in the selling company with each policy taken out. In this plan, according to the agent's talk, every policy holder will participate in the profits of the selling end of the insurance business. The agent will point out some big agencies that, on account of overwriting commission and renewals, make three or four hundred thousand dollars a year. Perhaps the agency company will be incorporated for only a hundred thousand dollars, and the argument of the agent will be something as follows:

"We have the figures that the Jones agency from renewals and overwriting commissions makes $300,000 a year. Jones built his agency up by one man power. Now we scatter that one man power over a wide area in order to induce co-operation and influence. Life insurance cannot be peddled as you would peddle soap. It is sold on 'leads' and influence. If we have ten thousand men constituting the general agency instead of one man, we will have ten thousand men working for the success of the agency instead of one man; and, therefore, where Jones was able to develop and to build a business yielding an income of $300,000 a year, we can do ten times that in half the time."

The agent shows how the prospect by using his stock dividends from the agency company to apply on his insurance premiums, cannot only get his insurance for nothing, but will be able to draw large returns as long as he lives.

This is only another feature or phase of the old board contract, and both have been responsible for many frauds.

Taking Out Too Much

Another abuse of life insurance is where a man takes out too much. **Life insurance never should become a burden, and when it does become so it is liable to be forfeited through inability to keep up the premiums.** Do not take out so much insurance that it keeps your nose to the grindstone.

Another bad thing that often happens is where an agent discourages a man in his insurance that he already has, and switches it to some other company. The agent will show him where it is to his advantage to quit paying altogether and take out a policy in his company and under a special plan. This has wrought many a hardship.

A clever and unscrupulous insurance agent can juggle the figures and plans and points of the game so as almost to make black seem white. There is no business so susceptible to manipulation, and affording so many different phases of argument and conversation as life insurance.

Before you take out a policy, understand it and its terms—read it over carefully, and apply common sense to everything that seems mysterious or doubtful.

How to Take Out a Life Insurance Policy

Let us suppose that you are 21 years old and that you make $30 a week. You decided to take out a $2,000 old line life insurance policy, 20 payment life plan. Apply through an agent if you want to, and let him get the commission—he is entitled to it. But it might be a good idea to make this statement to him at the outset: "Now do not indulge in any twaddle, because the first time you do it I will buck!"

Choose any old line reserve company, and you cannot make a mistake. Pay your premium out of your savings bank fund, and make your insurance payable to your estate. Insurance payable to your estate can be used by your creditors, if you have any; can be used after your death to pay your debts, if you have any, and these facts help your credit. Don't think this is an unimportant point. It is just as necessary to build up your credit as it is to save money.

It is bettter not to make your insurance payable to a certain individual before you are married. If your mother is living, and you make your insurance payable to your estate, she will get it anyway. But if you designate an individual as beneficiary, and ever want to change the beneficiary, you have to get the consent in writing of the beneficiary in order to make the change. If you ever want to assign your policy, it is best to have it made over to your estate.

In answering the question on the ap-

(Continued on page 869)

Mining

National Lead Co.

Diversified Uses of National Lead Products

Huge Organization Interested in Many Fields—Lead and Tin the Basic Products

By C. S. HARTLEIGH

THIS article on National Lead deals with the company from a somewhat new angle. Its financial makeup is disregarded; no reference is made to the market position of its securities. The article is confined entirely to a discussion of the company's trade position, its products and operations.

These factors, of course, are basic to the company's prosperity; and we believe investors will find them invaluable to a complete knowledge of its scope.

Briefly, it may be said that National Lead, controlling twelve subsidiaries, representing the lead mining, lead smelting and lead products manufacturing industries, as well as the smelting and refining of tin, is engaged in a well diversified field and turns out products which are necessities in many important industries. The company has a good earnings record, having built up an especially large surplus during the war, and is today in a very strong financial position. National Lead's common shares combine safe investment with moderately good speculative possibilities—EDITOR.

THE National Lead Co. is one of the leading representatives of the lead industry. It is engaged essentially in the manufacture of lead products, although it mines, smelts, and refines from 10% to 20% of the lead which it uses. As a large consumer of lead, as well as seller of semi-fabricated lead products in large quantity, it is interested in both sides of the lead market. Its metal department is therefore interested in buying lead at such times, and in such quantities, as will be most advantageous from a trading standpoint, and reflect a clever adjustment of the purchase of raw material in a highly fluctuating market, with the changing demands of the public for its manufactured products. The accompanying graph of the price range of lead during the past 30 years indicates that the lead market is an important factor in the company's operations.

Also Interested in Tin Market

The company is interested also in the tin market, for it is a dealer in well-known brands of this metal, as well as a manufacturer of various tin products, and alloys containing the metal. The price range of tin during the past 30 years indicates the importance of the market of this raw material in adjusting the company's position with respect to the price of tin, and the price obtainable for its products containing this metal.

The company is interested in many products other than metals and metal products, particularly such substances as oils which enter into the manufacture of its painters' supplies, and various contrivances and materials that can be manufactured advantageously as by-products. One who is interested in studying the general commercial position and possibilities of such a company, would no doubt desire information regarding the uses and demands for its products, and their distribution in the various industries. With a view to satisfying such curiosity, at least in part, the following facts regarding the nature and disposition of the company's chief products are presented for the non-technical reader.

Among the most important products manufactured by the company are painters' materials, including white lead, red lead, various colors and pigments, and various grades of linseed oil. White lead accounts for about 18% of the lead consumed in the United States, and represents the greatest single use of the metal, lead cable coming next with a consumption of about 15%. White lead is a white, earthy, heavy powder, known chemically as basic lead carbonate. It is used in the manufacture of paints, one of its chief uses in the arts.

Third of Lead Used in Pigments and Oxides

If we consider the consumption of lead in the manufacture of all pigments and oxides, it will account for about one-third of the lead consumed in the country. The National Lead Co. makes numerous oxides, including red lead, litharge, orange mineral, and glassmakers', colormakers', rubbermakers' varnishmakers', enamelmakers', potters', and accumulator oxides. Lead oxides are usually lemon-yellow to reddish-yellow in color and there are two commercial varieties, known as massicot and litharge. Massicot is a product formed in the first stage of the manufacture of red lead, which in turn is a granular, crystalline powder, used chiefly as a pigment. It is used also in the manufacture of flint glass, as a cement in making steam joints, and in the manufacture of secondary batteries. Litharge is also used in the manufacture of flint glass, as a glaze for earthenware, for the preparation of lead plas-

RAND MINES, Ltd.

American Shares

In our issue of April 2, 1921, it was stated that the present dividend rate is $1.35 on one American share, and that at the present dividend rate the shares yield a little over 6¼%.

Upon further investigation we find this statement in error. We, therefore, take pleasure in publishing the following correction.

During the year 1920, Rand Mines, Ltd., declared the following dividends:

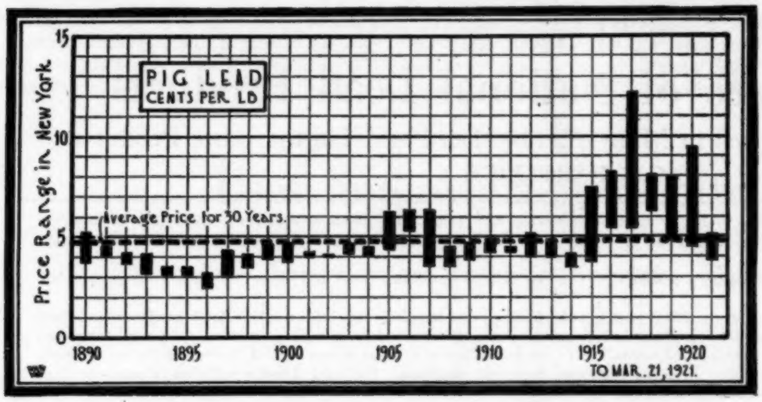
Date Declared 1920	Date Payable	Amt. Paid on Each American Share
June	August, 1920	$1.35
Dec.	February, 1921	2.06
Total		$3.41

At this rate the American shares show a yield of 16% upon the present market price of 21½.

We deeply regret another unfortunate misstatement in our article of April 2, where we repeated an unfounded rumor as to the source of these shares. The fact is that the American firms who introduced the shares to this market, purchased them from the estate of an English family in which these shares had been held for many years.

ter, lead acetate, lead nitrate, and other chemicals, and for drying oils.

The production of pigments in the United States is an important industry, and the National Lead Co. is well entrenched therein. In 1913, the production of white lead in the United States was 142,626 short tons, valued at $18,-112,000; the production of litharge was 23,093 short tons, valued at $2,525,000; and the production of red lead was 17,635 short tons, valued at $2,128,000. In 1919, the corresponding figures were: White lead, 139,090 tons, value $26,425,000; litharge, 46,739 tons, value $6,432,000; and red lead, 32,362 tons, value $5,314,-000. The imports of these products have been relatively insignificant, and have shown a falling off as compared to prewar imports. Imports in 1913, for example, were: 336 tons of white lead, worth $45,266; 50 tons of red lead, worth $4,900; and 17 tons of litharge, worth $1,750. In 1919 these figures had diminished to 10 tons of white lead, worth $2,490; no litharge; and 3½ tons of red lead, worth about $1,100. These figures suggest little competition for manufacturers of such products in the United States.



Many Products of Both Tin and Lead

Many of the company's important products involve both lead and tin in various proportions. Bearing metals, which are usually alloys of tin, with small quantities of one or more other metals, are among the important products of this company. Babbitt metals, which are used for the bearing of both light and heavy machines contain from 65 to 90% tin, plus varying amounts of copper and antimony. The original formula for Babbitt's metal, patented in 1839, calls for 88.9% tin, 7.4% antimony, and 3.7% copper. From some of its bearing metals, the company manufactures pressure die castings, which are castings made under pressure. By means of this modern method of manufacturing, parts of machines, instruments and appliances can be produced with a higher degree of finish and greater accuracy than can be obtained by any other method.

The company manufactures a variety of plumbers' materials, including lead pipes, block tin pipes, tin-lined lead pipes, lead traps and bends, solder, and soldering flux. It is estimated that 46,600 tons of lead pipe was manufactured in the United States during 1918, and that the consumption of lead pipe in this country accounted for above 7% of the total supply of lead consumed, indicating the importance of this branch of the lead manufacturing industry. The company manufactures a variety of printers' metals, including linotype metals, monotype metals, stereotype metals, and electrotype metals. Type metal is an alloy of lead, tin and antimony. The percentage of each metal used in the alloy usually depends on the size of type to be made. For example, a formula for large type might contain 78% lead, 14.5% antimony, and 7.5% tin, whereas a formula for type metal to be used in the manufacture of small type might contain 57% lead, 28.5% antimony, and 14.5% tin.

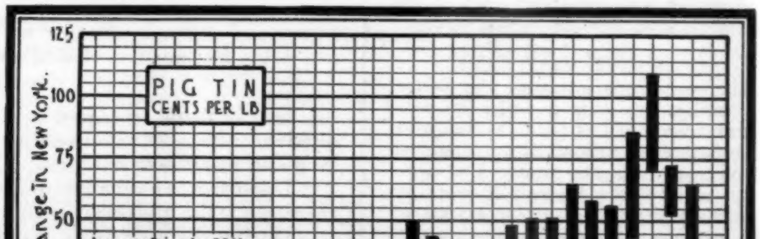
Tanners' materials form an important class of products manufactured by the company. These include bar solder, wire solder, ribbon solder, triangular solder, and soldering flux. The use of ordinary solders is too well known to require an explanation. In addition to ordinary solder, various fusible alloys are made by various combinations of fusible metals. Such alloys are used for safety plugs in steam boilers, and in automatic fire extinguishing systems in buildings, and also for certain special uses in the arts. One of the low fusibility alloys, best known as Wood's metal, consists of four parts lead, four parts tin, eight parts bismuth, and a little cadmium. This alloy fuses at 63 degrees. It is sometimes used for taking rapid impressions of objects which would be injured by a metal melting at a higher temperature.

Among the miscellaneous lead products manufactured by the company are sheet lead, glaziers' lead, bar lead, antimonial lead products, lead wool, lead wires, lead sash weights, piano key leads, and expansion bolts. The importance of sheet lead is illustrated by the fact that the production during 1918 amounted to 33,000 tons, which accounted for about 6% of the total consumption. It is of interest to compare with this figure the percentage of lead that enters into the manufacture of lead foil, namely 4% of the total consumption.

The company also manufactures brown, and white, sugar of lead and other lead chemicals. Through some of its subsidiaries, it manufactures linseed oils, and, incidentally, linseed oil cake and meal as by-products: through the Baker Castor Oil Company, it manufactures castor oil; through the U. S. Cartridge Company it manufactures metallic and sporting ammunition; and through other subsidiaries, it is engaged in making brass, smelting and refining zinc, smelting and refining tin, and manufacturing plastic molding materials and numerous specialties.

The company's operations are linked with the tin industry to an important extent. The world's production of tin in 1919 was 113,893 long tons. The manufacture of tin plates absorbs more tin than any other industry and probably accounts for about 1/3 of the world's total production. Tin consumption usually bears a close relationship to the production of iron and steel, and therefore its consumption is likely to fall off along with the decline in the consumption of iron and steel products. Imports of tin into the U. S. during 1918 amounted to about 82,000 tons, valued at $104,588,000; and during 1919 imports amounted to about 55,000 tons, valued at $62,762,000.

In addition to its use in the manufacture of tin plates, tin is alloyed with copper to produce bronze, bell metal, speculum metal, and other useful alloys, such as pewter, Britannia metal, plumbers' solder, Queen's metal, tin foil, amalgam to silver mirrors, tin pipes for brewers and distillers. Pots, pans, kettles and other culinary utensils are frequently tinned inside, and tin salts are used for tinning brass and copper ware, and as a mordant in dyeing.



The percentage distribution of lead and tin in the various industries is illustrated in the accompanying tables. These figures serve to indicate the diversified demand for some of the National Lead Company's most important products.—vol. 26, p. 558.

Petroleum

News and Gossip of the Petroleum World

Little Change in Price Outlook in Past Fortnight — Present U. S. Production Should Run Through 1921

By **H. L. WOOD**

DURING the past two weeks nothing has developed in the petroleum industry to change the situation to any material degree. Production of crude oil has declined just as negligibly as the consumption of refined oils has increased—just enough to allay anxiety lest crude should accumulate and refined fail to meet requirements. There isn't the remotest chance that either contingency will materialize, although most of the authorities directing organized petroleum development continue to view the situation with alarm.

Since the last review in this department three important sessions of representative petroleum organizations have convened in annual exchange of views—petroleum geologists, western refiners and the American Petroleum Congress. As to production pessimism prevailed, but as to prices optimism was strong. Both conclusions are strained and unwarranted, just as both are inimical to sustained prosperity. Careful study of market quotations indicates that the signs of the times are not being read as they should be. Marketed oil production in every important producing area of the country shows no shrinkage and could be slightly increased if there was a demand for it. Consumption of refined oils is making no draft on stocks, which are near the maximum.

In the United States the Standard group is steadily increasing its capital issues to keep fully abreast of trade expansion and many smaller corporations are asking public investment in their securities. In each instance the desired capital appears to be freely subscribed, in whatever form offered. There is no better investment than the securities offered by established and progressive oil corporations with consistent dividend records.

British and French oil corporations are offering their securities as freely as those of the United States, with the government contributing heavily to the purchase of shares. The idea of government control of petroleum is not new, but the direct investment of government funds is something new. Perhaps other governments have something on our own in their application of a new plan to exploit an old idea. Our own government seeks to control the production and distribution of petroleum, but shirks responsibility for its successful maintenance and expansion, both at home and abroad. Sentiment is divided as to which plan is preferable.

U. S. Development

The situation as to production of crude oil may be epitomized in the statement that in February 7,000,000 barrels of crude was added to the visible stocks above ground. In other words, that much crude oil was brought to the surface in the short winter month for which there was no consumption demand, or market. Some of this crude, it may be stated in explanation, had been taken from producers' wells and run to storage tanks in the six weeks preceding without having been purchased or itemized as storage oil; during the latter part of February the pipe lines issued checks for its purchase and it was then definitely entered as stocks. It is believed that steel storage is now about filled, providing greater crude oil reserves than at any previous period with one exception—in 1915-16, when the Cushing field broke all records.

> **"Careful study of market quotations indicates that the signs of the times are not being read as they should be. Marketed oil production in every important producing area of the country shows no shrinkage and could be slightly increased if there was a demand for it. Consumption of refined oils is making no drafts on stocks, which are near the maximum."**

All crude oil now produced in the United States is being regularly run and purchased except a little in Wyoming, of no general importance. In one or two districts in Oklahoma and North Texas independent refiners have announced the payment of premiums above regular quotations for small quantities of special grades of crude, but such action has no market significance. It merely emphasizes the fact that the crude oil production of the country is so closely controlled that refiners cannot buy it in small quantities unless they offer 10 or 15 cents a barrel more than the regular pipe line buyers pay.

It must not be assumed that the payment of premiums for a few thousand barrels of extra grade crude oil indicates a general advance in quotations for all grades, for it does not. During the war a premium of $1.75 a barrel was paid for a little extra high-grade crude produced at Garber, Oklahoma, but four-fifths of all the crude produced in northern Oklahoma was sold at the regular quotation of $3.50 When Pennsylvania crude oil was at its top of $6.10 a barrel a few hundred barrels a day was bought at a premium of 10 cents, or $6.20 a barrel; but it wasn't the market.

While there is a slight holding back of production because consumption is slow, development work has demonstrated the fact that enough productive territory has been defined to hold production to its present volume all through 1921. This is so well understood that the price-makers are not likely to be jollied into advancing their quotations. They are not worried about the oil-famine propaganda so frequently published, for, when opportune, it serves as an excuse for holding the prices of refined oils firm.

Development in Mexico

There has been no material change in Mexican production since the last review, production and shipments holding steady. More wells and drilling and more rigs are up than at any previous period and every effort is being made to add to the number of producing wells. The completion of five producing wells and eleven dry holes during the last ten days illustrates the narrow margin between success and failure better than columns of description. Nearly all of the failures were east of a line drawn from Los Naranjos on the north to Zacamixtle on the south and at first thought to be well within the best productive limits. Considerable acreage is thus definitely eliminated.

Another interesting and instructive feature has been emphasized by recent drilling, and that is the determinative formation and depth in the new Zacamixtle district. In nearly every other pool in Mexico the distinctive lime formation in which the oil is found has been reached at depths varying from 2,000 to 2,300 feet, with most of the good wells above 2,250 feet. In the Zacamixtle pool the lime stratum from which production comes is not as thick as elsewhere and is underlaid by heavy blue shale beginning at around 2,300 feet. This is so noticeable that when a depth of 2,300 feet is reached and blue shale appears in pronounced form it points rather direct to a failure. At this writing half a dozen wells are drilling in blue shale at 2,300 feet and below that will almost certainly be failures. Any one familiar with formations can read the drilling reports, when depths are given, with rea-

(Continued on page 870)

Bill the Sign Painter Tries Partial Payment Plan

Takes "Broker's" Advice on How to Make a Fortune and Ends Up With $6.43—Many Other People Being Robbed by Smooth Salesmen Who Distort Legitimate Investment Method

By HARVEY HARDING HARDY

AS the man who lives in Yonkers or Flatbush salutes the robin as a herald of Spring, so I have come to look upon the irregular and indeterminate visits to Wall Street of Bill, the Brooklyn sign painter, as the beginning of the end of a bear market.

Bill doesn't paint pretty salads and shining automobiles on fences to make a living or acquire a competence for his old age. He just does it to get margin

Bill the Artist

money. And, he is always a bear. I have known him for many years, and the hard luck story of his life is that he has happened always to accumulate a roll just at the tail-end of a falling market. At such times he comes joyfully and hopefully into the Street, and goes short just a trifle more than the limit allowed by the most lenient of margin clerks. Why, Bill is so bearish that he has to be dragged out of elevators when they reach the ground floor. He maintains they should go lower. He will argue by the hour that the elevators' signal lights should be transposed; anything going up should display red lights.

Hadn't Seen Bill for Some Time

Until I ran across this chronic bear one day last week, enthusing over the silent-creeping misery which had taken possession of every house on the Street, I had not seen him since he sold Studebaker short at $59 just before it started on its way to above $150. It would be a work of futility to dwell upon the anguishing details of Bill's debacle. I met him immediately after the margin clerk had insinuated that the old paint pots and overalls needed dusting off, and, as the perfectly good painter started for Brooklyn, he promised himself to reform. He swore by all the gods—Roman, Greek and Brooklyn—that he was through, now and forever, with all forms and sizes of speculations. He flung away his life-long ambition to run $500 into $100,000. I cautioned him, as he departed, not to renounce lightly such a worthy deal. His dream might be realized if he lived long enough—a thousand years maybe, or thereabouts. He stopped not to thank me or wish me good bye.

Imagine then my surprise, after listening a short year ago to Bill's adjurations, upon meeting him last week to have him tell me he was short the market, and consequently, as happy as a millionaire with his first divorce. As giving other people advice, or threatening to reform them, is all the rage this year, I tried to show Bill the calamitous course he was pursuing. Strange as it may appear, he didn't seem overly impressed with, or grateful for, my advice. He wanted to know how much money I made last year. Quite proudly and almost truthfully I answered that at least I had not lost any money in 1920, which was more than most habitués of the Street could say. It hardly seemed necessary to tell him that when 1919 had faded out I had nothing, save honor, left to lose in 1920. One does well not to tell everything one knows, doesn't one?

But Bill's resentful question had made me a little sore—most advice-givers and reformers have small relish for personal questions—so I reminded him of his sworn intention to become an oh-so-careful investor. Then it started. Bill erupted. I don't know exactly what some of the words he used mean, but it was easy to gather that some broker had done something extraordinarily painful to him. I strove to sooth him and asked, "Just what was it,

Bowled Over

Bill, he did to you?" "He damned near ruined me," he groaned.

An Oft-Heard Expression

Often in the Street I have heard that expression, and always it recalls my old-home town and Hezekiah Bolles, who, in my boyhood days, peddled meats every Wednesday and Saturday by means of a one-horse, canvas-topped wagon. A run of hard luck hit Hezekiah. His horse died, so he borrowed money and bought a flivver to replace the horse and wagon. Something went wrong with the carbureter, and, when the meat peddler sought the trouble by the light of a candle, the barn with the machine in it burned down. Hezekiah escaped but was badly burned and lost one arm. When partially recovered from the fire he was stricken with the palsy. After many weeks of suffering, when he was able to barely shuffle around, a neighbor called and reminded him of the annual revival services which were being held in our church. The neighbor said something about refreshing the soul, but Hezekiah understood him to say refreshments, and promised to attend. He sat near the front, and, throughout the sermon, tried to control the palsied noddings of his head; but, the evangelist, noticing these emphatic nods, looked upon the sick man as an ardent supporter. Hence at the close of his exhortation, when it was customary for the brothers and sisters to testify, the preacher pointed to Hezekiah and called, "Stand up, brother, and tell us what the Lord has done for you." The stricken peddler lurched to his feet, and it was then that I first heard the expression which Bill had used to describe what his broker had done to him.

Bill's Tale of Despair

When Bill cooled from the boiling to the simmering point he told me his tale of anguish and despair.

Pursuant to his high resolves to quit speculating, he started to invest his savings in Liberty bonds—$50 and $100 bonds. He had accumulated $600 worth, and was feeling about as big financially as the Guaranty Trust, when one morning he received a letter—a broker's letter. How well Bill remembers that beautiful Spring morning in Brooklyn. The sun shone brilliantly and impartially on Sangamon Hall and on Borough Hall; the sparrows sang as tunefully as possible, the flat wheels on the B. R. T. playing a jazz drum accompaniment; our mayor proceeded on his way to work unhalted except by one irreverent truck; all nature seemed in tune as Bill opened his mail.

The letter started off like a plea for life insurance. It expressed great solicitude for the reader's financial welfare; it quoted life-insurance statistics to prove that most men are dependents at sixty-five years of age; it almost wept at the thought of Bill without investments which would work while he slept; it called attention to enclosed pamphlets which elucidated the broker's justly famous Ten, Twenty or Thirty Payment Plans. "Read the enclosures carefully; sign the accompanying blank, and mail AT ONCE." Here was the

Take It From Me

royal road to success, the broad and straight highway to wealth and independence. Unless figures lie, here was what mankind so long has sought—the panacea for all the ills which flesh is heir to.

Why should anyone—especially Bill—hesitate about signing the "accom-

panying blank"? He filled it in. It was an order to the broker to buy ten shares of Reading "at the market," and back to the broker it went with Bill's check for approximately 20 per cent. of the purchase price, and a promise to pay the balance in nine monthly installments. He now looked upon himself as a bona-fide investor, a railroad stockholder. He began to resent the bolshevistic mutterings of some of his fellow workmen.

On the day that the broker reported buying the Reading, it ranged between 89 and 91¼. Bill didn't pay the top. He got his at 91.

The months passed, three payments had fallen due and been promptly paid; Reading got up to 101; Bill decided to sell his Liberty bonds, pay the balance due on his stock and take it home. He called on his broker and told him the glad news. Now comes the third act where the villain always gets in his dirty work.

Let the violins sob and the piccolo twitter as our hero is lashed to the log and started toward the buzz-saw. Down in front! Silence in the gallery! Up goes the curtain!

Mr. Broker was certainly delighted to hear that his valued customer from Brooklyn wished to sell his bonds and take home his stock. It was a fine idea; but—yes several buts—if the customer would step into his private office he might hear something to his advantage. The customer stepped. Mr. Broker proceeded to whisper, very low, how he was negotiating, for the president of one of the large national banks, a stock deal which would secure, for the president, control of one of the best oil prospects in the United States. Now, Bill had spent, off and on, much time in the Street and had listened to many tips, so naturally didn't believe quite everything that was whispered to him. The broker, a good salesman, saw this skepticism and moved fast to check it. He was, he said, just about to call up President Blank to get his orders for the day. If the Reading stockholder cared to listen in on the conversation, he was welcome. He might use that extension on the desk in the corner.

After hearing over the phone the bank president, or rather, a clerk in the broker's outer office, place an order for 15,000 shares of Ohbygee Oil, our hero's greed overcame his prudence. Orders were given that his bonds and

This Way Out

Reading be sold, and the proceeds devoted to buying Ohbygee "at the market."

The veriest tyro in the Street can write the last act of Bill's drama. Within a month from the time he bought it, Ohbygee Oil fell like a bright exhalation in the evening, and his money faded away like a surplus account just before a dividend meeting. When his account was balanced he received a check for $6.43. He was lucky. Most of this broker's clients are eventually presented with debit balances.

How Many Others?

I wonder just how many thousands of would-be investors have been broken and discouraged—soured on the whole investment business—by these slick tricksters who besmirch the useful and laudable partial-payment method of stock buying.

Smooth, slippery salesmen have set themselves up in the business, and it is for them one of the most lucrative forms of safe graft that the Street has ever known. Over a period of years I have talked with hundreds of clients of these concerns, and I have yet to find one that bought, paid for and kept even ten shares of high class stock. The stories of all these "investors" have a remarkable similitude. Customers were invariably urged to buy on the rallies, and, when the breaks came were frightened into selling. If one did buy a stock which showed a profit he was

Wiped Out

pestered by three or four phone calls daily and inveigled into over-trading. It is against the policy of these sharks to let an account grow so prosperous that an eight or ten point break will not wipe it out.

To get the poor fish into their nets, the common practice is to advertise high class stocks with good dividend-paying records. These are bait. And once the fish start running these bunk artists depend upon their selling abilities to make the killings. Surely their selling talks are to be admired. Their literature might serve as a guide to the publicity manager of any mail order house. They take advantage of their victim's most praiseworthy ambition—the desire to systematically save and acquire a competence that children may be educated and old age be free of care. Constantly, before their clients, they hold up for admiration the wisdom and infallibility of their "statistical department." Listen to this: "Our experts who have devoted their lives to this work are able to furnish you with the analysis of the report of any company. Our recommendations are based upon these experts' findings. We can tell you the proper time to buy and the proper time to sell." That's the game. To build up faith in their judgment and then induce you to over-trade or buy doubtful securities. Each course is equally hazardous and the results the same.

In February of 1919, just before the start of the big bull market, I called on the "statisticians" of nine of these "providers for a rainy day." Every one of these "experts" was advising customers that the market would go much lower. In the early Spring of 1920 I made my round of calls again and found the same "experts" predicting "the greatest bull market in the history of these glorious and prosperous United States." No doubt this was valuable advice for the brokers employing these prognosticators, but Heaven lend aid to the customer. Were I to do business with any of these firms, I would feel reasonably safe if Jack Dempsey guarded my rear, Marshal Foch my front, and an angel walked beside me lest I fall. Then I might break even.

Honorable Houses Besmirched

There are many honorable houses which make a specialty of the partial-payment plan, and such are to be commended and recommended. They do a needful, patriotic work by encouraging the wage earner to become an investor. Because, after all, it is only by investments that civilization endures and carries on. It is a sad thing to see this branch of the investment business smeared and scented by the carrion-defiled claws of the vultures.

Yes, buzzards, who take delight in picking the carcass of a small-salaried clerk who, by scrimping and doing without the things which go to make life worth living, can save $5 to $25 a month. They much prefer victims who live out of town—the farther away the better. They gloat over those mail orders reading "at the market." It's poor business with them when they don't grab a full point on every order executed. Not that they execute many orders. Of course, if some customer lucky enough, or deaf enough to entreaties to over-load, to survive the vicissitudes which surround him, demands his stock and is able to pay for it, they will buy it rather than hear from the district attorney. But the ordinary procedure is to charge the client interest on stocks which have never been bought. Solomon in all his glory, and all his wisdom, could have thought up no better scheme for making tall and easy money. One of his wives might have, but I doubt it. The ease with which the scheme is worked is what, to me, makes it so contemptible.

Any salesman, any psychologist will tell you that the strongest man's inherent traits is the aching desire to get something for nothing. None of us likes that "sweat of the brow" stuff.

The Sad Awakening

And there lies the secret of these Wall Street buzzards' success.

As the hour is getting late, just one word of advice. Use the same care in selecting your broker that you use in selecting a partner in your business. If you spend days in picking out an investment and five minutes in finding a broker, I can only wish you luck, and murmur, Pax Vobiscum.

Common Sense in Speculation

Article II—The How and Why of Selling Short—Stop Orders as Means of Limiting Losess and Protecting Profits

By "MODERATO"

STRANGE to say many people are ignorant of the simple operation known as "selling short." They can buy stocks fluently, but they are embarrassed and suffer mental lockjaw when it comes to selling something they do not own. They seem to think they have to go through a lot of complicated motions in order to sell short. Such is not the case.

The whole trick in trading in stocks is to buy at a price lower than the figure at which you sell. It makes no difference whether you do the selling before the buying, or the buying before the selling. So far as you are concerned it is simply a case of giving orders, and with a little practice you will find it just as easy to say "sell" before you say "buy" as to do the reverse.

The broker makes all the arrangements.

If you sell 100 U. S. Steel at 80, and you do not own any U. S. Steel, you probably expect to do your buying at a lower price; otherwise you would not make the sale. If you owned 100 Steel and you thought its price was going down, you would probably sell it; so why hesitate to sell it short? You will find it just as profitable on the average as to operate on the long side.

For fear of confusing those who are unfamiliar with the short side, I will not explain the broker's side of the operation. It is not any more necessary for a short seller to know that than it is for him to go into the kitchen tonight and see how his meal is being cooked. (I did not say goose.)

The Fear of Being Cornered

If there were no such thing as a "corner" probably no one would ever fear to sell short, but 'way back in the head of the timid short seller there lurks that bogie man who frightens stock market children.

Or, perhaps your hesitation may be due to the fact that you are always reading in the newspapers how the shorts were squeezed. This is a favorite expression of some writers, for, of course, writers have to have something to write about and nothing pleases a newspaper man more than squeezing the shorts in his own column.

Some of them go further than this. They have a way of estimating the size of the short interest. One brokerage house prides itself on its ability to calculate this elusive factor. Someone told me today that if the short interest were lined up it would make a row of individuals from the Battery to Harlem. I admit it. But if the long interest were lined up it would extend around the world. So don't let the size of the short interest bother you.

The holders of railroad securities who have shown sufficient interest to register themselves as members of the National Association of Owners of Railroad Securities, confess to the ownership of $12,000,000,000 worth. That means 120,000,000 shares. This is only part of the long interest—a small part.

Short Selling Thoroughly Legitimate

Short selling is a thoroughly legitimate method of dealing either in stocks, commodities, buildings, or any other form of materials or merchandise. While most people believe that they are in the habit of buying before they sell, a countless number sell before they buy; the builder sells short the house which he contracts to deliver to you within five months, and then takes two years; the manufacturer sends his salesmen out on the road to sell goods which are not only unmanufactured, but for which he has not even bought the raw material. That is short selling, and if it can be done in Kalamazoo, Mich., it can be done in Wall Street, New York.

The other day I came across a man who held a round lot of securities in a company with the management of which, by relationship, he was connected. That man knew and felt that he should not be owning those securities, because they were likely to decline in market value. He did not like to sell them out. I explained to him that he could hold the securities in his safe deposit box and at the same time make a short sale of the same quantity through his broker, and when the price declined to a level he thought was right, he could repurchase them. So you see there is more than one way of making a short sale and benefiting by it.

Anyone who is not mentally equipped to trade on the short side should become a paid-in-full investor for income only, for he who knows only how to buy first and sell afterwards, is only half a trader. One must learn to ride them down as well as ride them up, and to do it without getting nervous.

It is this fear of "getting caught" on the short side that keeps people from participating on that side of the market, but, believe me, for every short that is caught there are a hundred longs.

The peculiar part of a "short" is that he runs either too quickly or he doesn't run at all; that is, he is scared out when the price goes one point against him, or he will sit and watch it run heavily against him. He gets his Irish up and says he'll be hanged if he'll cover.

In selling short it is well to make up your mind at the start how many points you are willing to risk, or how long you are willing to stay short and take the chance that when that period has elapsed you will close the trade, win or lose. If you enter a stop order you are at least insured against a corner, which might happen once in a million times. Having thus taken out a policy, you can proceed with your own business affairs and not work yourself up into a frenzy every time the stock rises an eighth.

You can stay short as long as you like. Your broker will attend to that for you—never mind how—and you can let your profit run if the stock goes your way just as you would if the transaction had been on the long side.

Perhaps you are not familiar with stop orders. Very well, then:

Some Uses of Stop Orders

A stop order is an order placed with a broker instructing him to make a certain transaction for your account when the price of a certain stock reaches a specified figure. If you buy 100 Steel at 80, and you desire to limit your risk to 3 points, you would instruct the broker to sell 100 Steel at 77 stop. The broker would watch the market and if the price declined so that at least 100 shares of Steel were dealt in between others, at 77, his stop order would thereupon automatically become an order to sell at the market price. This might be 77, or 76⅞, or 77⅛, but it would be a market order and that means he would have to sell instantly at the best price he could obtain.

If you were short of 100 Steel and you wished to limit your risk to two points, you would tell the broker to buy 100 Steel at 82 stop. That is all there is to it, except that you must be sure to specify whether the order is good for today only, or good till countermanded. The latter is known as a G. T. C. order.

Your stop can be four, five or ten points away, and it is one thing which adds to your mental comfort if you are not paying close attention to the market or are out of communication with your broker.

Protecting a Profit

The next most important use for a stop order is in protecting a profit when once secured. If you buy at 80 and the stock rises to 90, and you are in doubt as to whether it is going higher or is going back down again, you can place a stop order at 88 so that the way will be left open for a further advance by which you will profit. But if the price recedes to 88 the stop will be executed and you will have a certain eight points out of the ten, except for a possible fraction in commission, tax, etc.

Many people object to the use of stop orders because they claim that the price frequently touches the stop order price and then goes in the direction which was first anticipated, leaving one with a loss instead of a profit. It is true that this frequently happens, but when you look back and think of all the big losses that you have sustained because you did not limit your risk, you will admit that the stop order has its good points.

As Charles H. Dow used to say:

"We believe that for the margin trader, and especially the trader who operates rather more largely than he ought on the margin that he has, stop orders are wise. There are, however, many qualifications which should be kept in mind.

"If a man is trading as a semi-investor, using fifty per cent margin, depending on values for his profit and operating in

(*Continued on page* 864)

Trade Tendencies

Prospects of Leading Industries as Seen by Our Trade Observer

As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

RAILROADS

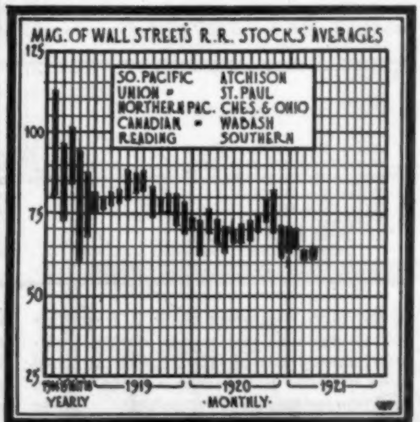
Rates and Wages

REPORTS from the railroads of the country indicate a further decline in traffic. The number of freight cars loaded during the week of March 26 was 687,852, which was the lowest for any week of the year, with the exception of the week ended February 26. There are now more than 450,000 idle freight cars which is the greatest in the history of American railroads. The plight of the carriers is very apparent.

On the basis of present activity, with due allowances for seasonal ebb and flow in traffic, the railroads will be showing a deficit of something like $700,000,000 for the year. Present earnings, in some cases are not covering operating expenses and in most cases are not covering fixed charges. There are barely a handful of the carriers earning something on their junior obligations. A situation of this sort imperatively calls for early adjustment.

The most important problem before the railroads is to cut expenditures drastically, with particular reference to wages. The policy up to the present has been to lay off men. While this has somewhat reduced total expenditures, there is a limit to which the railroads can go in this respect without impairing their efficiency. Salvation, therefore, depends not so much on letting men go but on revising the present wage schedule. Thus far some attempts have been made to do so, but in each case they have proved abortive.

It is becoming more evident that the matter of wages will have to be taken up nationally. Indeed, a tripartite arrangement is in early stages of completion whereby the Government, the railroad executives (representing the banking interests and investors) and the railroad unions will attempt to work out a satisfactory basis of settlement.



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It is a foregone conclusion that along with wages, rates will be reduced. One of the serious impediments to a resumption of better traffic conditions, is the fact that in many cases freight rates are so high as to make shipment unprofitable. All classes of shippers are complaining bitterly and ascribe part of their woes to this circumstance. Obviously, an equal reduction in rates and wages will not serve to improve the financial condition of the carriers. In order to effect a net gain, it will be necessary to cut wages more deeply than rates. The railroad unions, which are a powerful factor, will probably oppose such a step at first but it may be presumed, short of a national strike, that they will finally agree.

THE TREND

STEEL—Pig iron production at lowest level in history for the productive capacity of the country. Steel corporation activity declining. Better demand from automobile industry and structural interests but general level of orders remains low. Unemployment growing. Early improvement improbable.

COPPER—Most of the big companies have ceased production which is the only step which could radically diminish the surplus. Long-range outlook favorable but demand is too slow now to give the producers much comfort.

SHIPPING—Higher rates on Atlantic lines. Freight not moving rapidly. Idle tonnage increasing. Rates on Pacific lines lower. Situation unsettled and immediate outlook unfavorable.

RAILROADS—Rates and wages in need of adjustment. Without this, receivership threatens some weaker roads, also reduction or passing of dividends on some others.

MOTORS—Activity gains. Orders are increasing. General ratio of operations to capacity about 40%, compared with 20% several months ago. Trend is up temporarily.

TIRES—Surplus of manufactured stock gradually being moved. Production increasing but demand is greater. Outlook more favorable. Rubber goods and mechanical rubber not in so favorable a position.

TEXTILES—Woolen and silk industries improve but cotton goods slumps. Situation irregular with an improving tendency.

LIVESTOCK—Hogs are in a better position than for some time and prices should go up. Steers not in such a good position. Sheep and lambs are headed downward.

COFFEE—Immediate outlook not promising but for investment this commodity offers good possibilities on account of its excessively low price.

SUMMARY—A few lines show some improvement but others are losing. Unemployment is slowly increasing. Commodity prices are still in process of deflation. Foreign trade is slumping and the general economic situation is not encouraging so far as the immediate outlook is concerned.

This will pave the way for better earnings. It is too much to imagine, however, even assuming a deeper cut in wages than rates, that those carriers which are not earning fixed charges will immediately begin earning large amounts on their common stocks. A situation as involved as the one in which the carriers now find themselves cannot conceivably be rectified at short notice. However, the settlement of the wage and rate problem should put the carriers in a better position than the present and ultimately result in something approaching normal earning power. If, on the other hand, this problem is not settled or is settled on a temporary basis, the situation will get worse and many carriers will reduce or pass dividends and some will go into the hands of receivership. This is a critical period for the railroads and their future depends considerably on what happens in the coming conference.

LIVESTOCK

Conditions Still Unfavorable

DESPITE the fact that the livestock and allied industries were among the first to feel the effects of the world-wide depression which set in nearly a year ago, they have not yet revived. Prices have fallen steadily and in many instances are at or below pre-war levels. Foreign trade has slumped very seriously and domestic demand only very recently has shown a tendency to revive.

The packing interests have been doubly hurt, first in that wholesale meat prices have declined and second, in that by-product values have declined. The second is the more important as it is from this source that the real profits of the packing industry are derived. The attached table indicates how severe was the decline in representative by-products. These products are now selling at prices lower than in 1914, with several exceptions. Some of these products are selling so low that they do not cover costs of preparation for the market. Packer hides for example sold in February at 11 cents. This is lower than 1913 prices.

BEEF BY-PRODUCTS

	Feb. 26, 1913	Highest Price Date	Highest Price Price	Mar. 26, 1921	% Decreases from Highest
Heavy Native Steer Hides	$ .18	Aug. 2, 1919	$ .53	$ .13	75
Colorado Native Steer Hides	.16¼	Aug. 2, 1919	.48	.10	79
Edible Tallow	.07½	July 12, 1919	.25	.06¾	73
Prime Oleo Stearine	.09¾	July 12, 1919	.28	.07	75
Extra Oleo Oil	.11¼	July 12, 1919	.34	.12½	63
Fertilizer:					
Dried Blood (per unit)	2.62½	Mar. 27, 1920	8.40	3.10	62
Tankage, Conc. (per unit)...	2.27	Mar. 27, 1920	7.25	2.50	64

Low prices for meats have somewhat stimulated the demand recently. Retail buying has improved. The general provisions trade, however, is in an unsettled condition. Prices and demand are extremely irregular. In the first part of the year, conditions visibly improved but in the early part of February slumped very decidedly. Recently there has been an upward trend but it is possible that this too may give way to another slump later on.

Fluctuations in the price of live cattle have been very marked in the past few weeks. The general trend seems to be down, however. Supplies are very large. Large numbers of cattle—too large considering the demand—are being forced on the market and the result consequently is not favorable for higher prices.

With regard to live sheep and lambs, prices show a declining tendency. This is caused by a large over-supply. Mild weather and good feeding conditions in Colorado led to an early movement of Colorado-fed lambs and this combined with the large supply of corn-fed lambs in the Middle West, broke the back of prices, which are now low enough to be considered very attractive. In fact, in this connection it is worth while noting that the large packing interests have been taking advantage of the present low prices and adding to their already large stocks, despite the fact that the outlet for immediate sale is small. They are looking further into the future however when prices will probably be higher.

Hogs seem to be in an improved position. Receipts have recently shown some decline and it is quite likely that this is a sign that forced sales are a thing of the past in this market.

In general, the livestock and packing interests are afflicted with an excess of supply on a falling market. General economic conditions are not favorable and will probably continue to operate against these interests for some time. Prices will probably continue at about these lower levels, fluctuating in about the same fashion as in the past few weeks.

With regard to the large packing houses, it should be noted that they have gradually placed themselves in a better position than was true last year. Expenditures have been cut particularly with regard to labor which up to recently was one of the big stumbling blocks in the way of a thorough adjustment. This is an encouraging factor. While there is nothing very bullish in the immediate situation, on the whole it is likely that conditions will gradually be readjusted so as to provide a fair margin of profit for all interests connected with this industry—something which is practically lacking to-day.

RUBBER

Outlook Improves

REPORTS from the large tire manufacturing districts indicate a slow but steady expansion in operations. Present operations are about 40-50% greater than those of six weeks ago, but considerably below those of peak activity last year. Among the larger producers who

have increased operations are Goodyear Tire & Rubber, Firestone and the American Rubber & Tire Co.

Sales of tires are now averaging somewhat above current production, which of course is a favorable development as it means that the large surplus is steadily being reduced. At the end of last year, there were almost 5,000,000 unsold tires in the factories but these have been gradually disappearing into the hands of dealers and consumers and it is probable that the middle of summer will see these large stocks liquidated, possibly as much as 50%, which is encouraging considering the recent condition of this industry.

Improvement in the automobile industry is naturally reflected in the tire industry. Manufacturers' orders show a decided increase and this situation is expected to continue for several months.

Owing to the mild winter, sales of footwear were very disappointing and some of the concerns, devoting a considerable part of their facilities to this production, now find themselves tied-up with large inventories. Recently several plants shut down on account of the lack of business in this field.

Mechanical rubber stocks are large and the market is disappointing. There has been a little improvement in demand for hose but this is making very small inroads on the surplus.

Despite the improvement in the tire industry the crude rubber situation shows little change. The market is very dull and there is little disposition to buy. At the same time, sellers are not particularly anxious to unload at these extremely low prices. The result is a deadlock. It is a question whether any real improvement in the raw rubber market can come into being in the near future. While tire manufacturers are gradually reducing their manufactured stocks, they still hold large quantities of the raw stuff, and are not disposed to enter until these stocks are considerably liquidated. This does not appear probable for several months at least. A change in the price of raw rubber is therefore unlikely in the near future.

While the rubber and tire industry, generally speaking, is still unsettled, those companies which are not over-burdened with inventories, which are capable of economic management and which have ample liquid resources should find a splendid opportunity in the present low price of the constituent elements which enter into rubber and tire manufacture. Crude rubber and cotton are selling at the lowest price in many years, and where companies are in a position to do so, to stock up on these low-priced commodities at the present time would be a stroke of good business management. This trying period has its compensations—for concerns who are not overly affected by last year's developments.

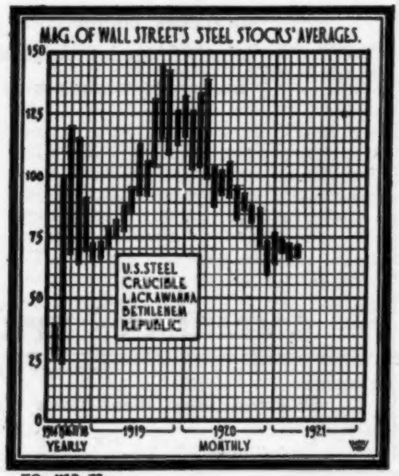
STEEL

Uncertainty the Prevailing Feature

ON the whole, conditions in the steel industry have not changed greatly since the last time of writing. The same uncertainty which has characterized the

trade during the past few months is still evident. Buying is very conservative and the general disposition is to await further price developments. There is slightly more optimism based on the improvement in the automobile industry and in construction activity. However, considering that at the present rate automobile consumption of steel amounts to only about 2% of the total productive capacity of the country and at peak does not consume more than 5%, it will be seen that so far as the general steel industry is concerned, this improvement is not a highly important factor. Improvement in construction activity is more important but is proceeding too slowly to be of immediate effect. There has been an increase in demand from the agricultural implement makers.

An interesting development has been the blowing in of a few idle blast furnaces. This is a pleasing contrast to the steady shutting down of stacks which has been occurring since depression first hit the industry in September. Offsetting this, however, is the fact that the Carnegie Steel Co. is down to only 25 fur-



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naces; the Illinois Steel Co. recently blew out another and a few have been put out of operation in the Chicago district.

A few independent mills are favorably affected by the revival of sheet demand for the account of automobile makers. Sheets however are quoted at the 3.85 cent basis compared with 4.15 cents, the price a few months ago. Plates and shapes are somewhat weaker but of greater interest is the first price cut in steel pipe which up to recently was one of the best lines.

Steel Corporation activity continues to decline, somewhat more rapidly than the general independent interests. In this connection, it is considered likely that another month or so of decline in unfilled steel orders, will force the big company to reduce its price. If this cuts through the present independent price level, the latter interests will be in difficulties as they will find it difficult to compete with the more efficient Steel Corporation on the new basis of price schedules. Possibly in turn they would be compelled, under such conditions, to shade their own price to meet those of the Steel Corporation. This, of course, would necessitate further wage cuts. As a matter of fact, additional wage cuts are almost certain in any case as a measure toward increased economy of operation and several mills have already made their second cut.

While there are indications that in a period of a number of months steel demand will increase, the present is bound to be a trying period for the steel companies. There is so much to be done yet in the way of wage and price adjustment, not to speak of stabilizing general business conditions, that it is practically certain that the steel companies will temporarily go through a period of declining earnings.

SHIPPING

Rate-War Ended

RESTORATION of harmony between the big trans-Atlantic steamship interests resulted in advancing rates in some cases as much as 300%. Thus rates on agricultural implements to French ports were advanced from $2 to $8 a ton; provisions from 20 cents per cwt. to 50 cents, and general cargo from $4 a ton to $16 a ton. Rates to Hamburg and Bremen were advanced 10% above those to French ports. Rates to other ports were advanced proportionately.

The rate war originally resulted from the fact that the French lines were forced into unequal competition with other lines, whose governments were granting some form of subsidy. The French lines are privately owned and are not subsidized by their government and when traffic began to fall off they were compelled to lower their rates in order to attract a sufficient amount of traffic to permit profitable operation. This in turn forced the competing lines to lower rates and for several months there was witnessed the spectacle of an old-time rate war with regard to the trans-Atlantic lines. This has now been done away with, through the acceptance by the French lines of the new rate of freight schedules.

The higher rates will probably not affect the present volume of freight and will therefore permit the lines to earn something more to cover their operating expenses. Probably, under present adverse conditions, the best they can do is cover all their charges and possibly a small profit. To that extent, they have profited from the ending of the rate-war and the establishment of the higher rates. However, a genuine revival in the shipping industry which is contingent upon broad improvement in world economics appears far off. For one thing, the "statistical" position of the industry is unfavorable: there are too many ships for the volume of freight now being offered.

There is also another angle to the situation which may have a far-reaching effect. It is possible that the higher freight rates may encourage the renewal of operations by tramp steamers which were forced into their anchorages on account of the slump in rates and shipments. There are hundreds of such ships throughout the world which at present are not operating. If any appreciable number of these were attracted into the Atlantic routes on account of the changed

rates, it would probably offset the gain to the big companies as a considerable amount of their business would be diverted to the new competitors. The loss of even a small amount of business would almost entirely wipe out the gains achieved by the higher rates. This is merely one of the factors to show the unfavorable position of this industry. Basically, the only hope of real improvement is not in rates but in increased business and this does not appear likely in the near future, at least in volume sufficient to enable all interests to operate at a profit.

In the meantime, rate-slashing is going on in other trade routes; particularly on the Pacific Coast, on Atlantic routes not affected by the recent rate-agreement and in other parts of the globe. The situation is further complicated by the refusal of the seamen's unions to accede to the demand of the shipping operators for lower wages and changes in hours. This is particularly true of the United States lines.

TEXTILES

Conditions Somewhat Better

THE various textile industries have recovered slightly from the recently experienced slump in February and more activity is noted all around. As a result production shows a tendency to increase, unemployment is decreasing, and the various wholesale and retail interests connected with the industry are doing more business than in several months.

Retail interest in the various markets shows an upward trend, although this is marked by great caution. More buyers are noted in the wholesale textile markets but there is no scramble for goods. Prices are a first consideration, and where attractive prices are not forthcoming there is no business. This applies as well to the ultimate consumer who shows a marked tendency toward seeking bargains.

Customers are no longer seeking goods of a certain style, color or pattern. What they want is "something that will do as well" provided the price is right. Under the circumstances, this has forced a great many bargain sales and the newspapers are covered with advertisements of leading retail organizations featuring marked price reductions.

Improvement is confined mostly to the silk, worsted, woolen and knitted goods industries. Cotton goods is distinctly weak on account of the uncertain position of the raw material.

Fall lines of woolens and worsteds are meeting with good response. The American Woolen Company, by withdrawing orders in women's wear fabrics, indicated that its mills were over-sold. Other mills have followed this example and it actually appears that forward orders have repleted a considerable part of the stocks on hand. The woolen manufacturing industry seems to have definitely turned the corner.

Silk manufacturing has improved, especially in the Passaic district. Finished silks are being moved satisfactorily. As the summer season approaches the demand increases and there is reason to believe that the silk interests face a better period than for practically a year. This prospect is also reflected in the raw silk markets which while they have shown no important price changes are relatively firm and have been so for a considerable period.

Undoubtedly raw silk is thoroughly liquidated which is no surprise seeing that it has been in process of this for practically a year.

Compared with last February and, generally speaking, even with early January when the textile industry took a sudden spurt, conditions have improved. The situation, however, is still "spotty." Some lines are doing better than others and activity is not general but is mainly confined to certain territories. The Far West is probably doing better business than any other section. In the East, in the large cities, business is fairly good, but this is not quite so true of many small industrial communities. The Middle West shows an improving tendency but this is more true of the cities than of the agricultural communities.

A policy of caution marks activity from manufacturer to consumer. There is greater desire to do business but this has not translated itself into as much actual business as could be desired. Nevertheless some progress has been made and in a slow and irregular way, the textile industry should gradually swing into a condition of greater stability.

COFFEE

When Will the Turn Come?

A SPECULATIVE market such as coffee must necessarily be of great interest to the general trading community and in fact the price movements of this interesting commodity are being followed with more than ordinary attention these days. As has been stated in these columns on several occasions, coffee at the 6 cent level is very cheap and offers a good investment opportunity. During the past few months, there have been occasional rallies and the 7 cent level was reached several times. Lately, however, prices have declined to 6 cents again. When will coffee sell higher?

In estimating the future course of coffee values, it is important to remember that at the 6 cent level coffee is selling not only far below 1920 prices of about 25 cents but actually about 35% below prices at the outbreak of the war. It is therefore not a question of coffee regaining some of its recently lost ground but of getting back to a normal level of prices.

Broadly speaking, the decline in coffee values is accounted for by the depreciating purchasing power of large consuming countries, such as Germany, England, France and to a small extent the United States. Obviously, an improvement in the price of coffee depends altogether on an improvement in the world's consumptive demand, which in turn awaits progress with regard to economic rehabilitation. The probable long duration of such a period of pre-recovery apparently does not help to improve the outlook for coffee values. However, there is another consideration and that is the statistical position of the commodity. This feature has been described so often as possibly to be wearisome to those who are holding coffee because of its intrinsically strong position. Perhaps, they would rather see coffee less strong intrinsically but stronger with regard to prices.

Yet it is of fundamental importance to realize that the coffee supplies of the world are not as large as that of a year ago and that the next crop will probably be somewhat smaller than that of the year before. Although a rise in prices is made more difficult on account of the present broad economic situation, this will be partly offset by the smaller coffee supplies. Therefore the statistical position of coffee should inevitably exert its effect, in the way of higher prices.

The present behavior of the coffee market is encouraging. Rallies are becoming more frequent coincident with falling receipts. The action of the San Paulo government in issuing $20,000,000 securities for the purposes of supporting the coffee market is bound to exert a favorable effect later on. Future offerings are being steadily absorbed and if receipts show a marked falling off, trade and speculative influences could very well operate to add at least 50% to the present selling price.

COMMON SENSE IN SPECULATION

(*Continued from page 858.*)

harmony with the main tendency of the market, we do not think a stop order desirable. To explain this a little more fully: Suppose the movement of averages shows that the market is in a rising period, such periods usually covering several years with only temporary reversals in direction. Suppose that an operator finds that a certain stock is earning an abnormal percentage on its market value, or, in other words, is intrinsically cheap. Suppose on the occasion of a temporary setback this stock is bought to be carried for months if necessary until the price has risen to approximately the level of the value. A stop order is folly in a case of this kind with anything like a fair margin.

"But suppose a trader, having a margin of two or three thousand dollars, wants to trade in and out of stocks without regard to values, but being governed by points or by impressions of what the general market is going to do. Experience has shown that such a trader will, in the end, profit by putting a stop order about two points from the price at which he goes in. If there is advice that a stock is going up and it instead goes down two points without some obviously good reason for such a decline, the advice was not good, and the quicker the speculator lets go the better.

"It often happens that when a stock moves two points it moves more, and it is a peculiarity of the human mind to disregard a small loss, but to get frightened and take a large loss just when wisdom would call for averaging a purchase.

"Thousands of traders have said at two points loss that they would see that particular transaction through if the stock went to nothing, only to decide after it had declined ten points, that there was good reason for believing that it would decline ten more and acting accordingly. The experience of most traders is that the small losses occasioned by stop orders have a tendency to check their trading with a small aggregate loss, while the practice of letting a loss run not infrequently makes a loss so large that trading comes to an end because the speculator has no more money."

With a panic (buying opportunity) and a boom coming along every few years, the man who does not know how to sell short is what is known as a "lop-sided" trader. Perhaps you are not well equipped for trading. If you cannot sell short as well as buy long, then you are not; but if it is merely courage you lack then the stop order will help you.

CORRECTION

In our April 2, 1921, issue, the article "The Value of Statistics in Business" was presented as written by W. G. Hafner, of Ernst & Ernst. Mr. Hafner's initials are "G. W.," and not "W. G."

TWO INTERESTING LISTINGS

(Continued from page 845.)

Earnings

The interesting feature of Union Tank Car Co. is its earnings record. For the nine years 1912 to 1920 the company earned an average of $2,414,640 net, before taxes. A deficit was carried over into 1912 from 1911 but is not reckoned in the final total. The company's new 7% preferred stock requires $840,000 annually; its 7% 10-year notes require $875,000 annually—a total of $1,715,000 a year ahead of the common shares. If these charges had existed during the 9-year period mentioned, the company would have earned an average of $699,640 for its common stock, or about $5.80 per share. This figure, it will be agreed, does not compare very favorably with the company's present common dividend rate of $7 a share.

It should, of course, be noted that Union Tank's earning power has been vastly increased in recent years by the increase in its equipment; and that it is dividend and interest on securities issued to buy this equipment which drag down the 9-year earnings average noted above. Our compilation is unfair if Union Tank can get enough business to keep all its new cars running; but if demands are not sufficient for that purpose, then the compilation is fair.

Union Tank preferred sold from as low as 90¼ last year to as high as 105. It seems a fairly conservative industrial preferred stock. The common, which ranged from 95 to 146 in the past two years, is now around 105. At that price its attractiveness is qualified by factors noted in our analysis above. The 10-year notes, quoted around 100½, appear to be a good investment.—Union Tank Car, vol. 26, p 779.

AN OIL COMPANY'S VIEW OF THE CUT IN CRUDE

With the general decline in prices of commodities and wages along other lines, a cut in the price of Oklahoma and Kansas crude oil was expected, and it started on January 24, at the rate of fifty cents per barrel. On February 2 it was cut again fifty cents, on February 5 fifty cents more, and on February 9 another cut of twenty-five cents per barrel was posted by the Prairie Oil & Gas Company—the price of crude dropping from $3.50 to $1.75 per barrel in sixteen days' time.

With only 50% of the oil being run at this time it is to be hoped that the bottom has about been reached.

The cuts in price have made it necessary to reduce field forces, to shut down drilling operations to some extent, and to curtail all extra expense.

We are at least thankful that the cuts in price did not start three or four months ago. By next Fall the period of readjustment should be completed, and the oil business on a normal basis.—From *Tidal Topics*, published by the Tidewater Oil Co.

PERU

(*Continued from page* 817.)

raising of sufficient capital to give impulse to all the works generally, and particularly, to the Huancayo-Ayacucho-Cuzco line which, comprising as it does populated zones, may be constructed within a relatively short period.

"It is hardly utopian to hope that within five years more this line will be completed in its entire length. . . .

"The irrigation of our coast has left the realm of projects and has become a reality. Already there are being constructed with machinery of a power hitherto unknown in this country the canals which will make it possible to irrigate Las Pampas del Imperial, an area almost as large as that which today is called the Canete Valley. When this occurs, and occur it doubtless will within some 14 months, it will be possible to show that at an expense of four million soles (about two million dollars) it has been possible to secure an increase of production in that locality which, valued in accordance with present prices, will represent an annual sum of not less than twenty million soles (about ten million dollars)."

The President had barely finished these utterances when prices suddenly began to fall and economic conditions everywhere became so serious as to necessitate in many countries the enforcement of moratoriums and special legislation to meet the new conditions.

Peru's Varied Products

Fortunately for Peru it is one of the few American Republics whose economic life is not dependent on one sole product, as is the case with Chile, Argentina, Brazil, Cuba and the Central America Republics were nitrate, wheat, coffee and sugar respectively constitute the life of the nations to the extent that a drop in the price of such commodities affects the community at large and impairs its economic condition. Peru, on the contrary, is blessed with a greater variety and number of staple products than most of her neighbors. And although the Peruvian Pound has fallen from the high level reached in 1919 and maintained during the first half of 1920, to under four dollars, still Peruvian raw materials, such as sugar cane, cotton, rubber, wool, hides, copper, silver, vanadium and other rare metals, have led her long list of exports and have been bought freely by the United State and Great Britain, her two best customers.

Peru's trade with the United States, both war and post-war, underwent great expansion but with far less irregularity than in some other raw material markets. The trade balance against the United States for the four years before the war was 39% of exports; for the four war years 48% of exports; and since 1918 it has been 68% of exports to the United States.

Mr. Carlton Jackson, who has lately returned from Peru where he held the position of Commercial Attaché to the American Embassy at Lima, has told the newspapers of this country that when he left, on November 5, business conditions were generally dull, but although the recent drop in prices of exportable commodities had affected business it had not been to an extent equal to that in some other Latin-American markets. According to Mr. Jackson three commodities constitute the bulk of Peruvian exports—sugar, cotton and copper. "Exportation of the two first named almost wholly ceased for some months, except such as came out through the filling of contracts. Copper lately dropped some 30% in price and shipments have diminished. Sugar fell from a price of 20 cents or more a pound to four cents and less per pound. Very little market now exists in the United States for the Peruvian cotton, best known here as "Metafifi' or long-staple.

"Thus the disastrous fall of prices, together with the curtailment of sales, has actually reversed the trade balance, which for many years has been heavily in Peru's favor. Dollar exchange being therefore in strong demand, or in other words Peruvian money being at a heavy discount—about 20%—settlements with America are delayed and the purchasing capacity of Peru is weakened.

"The import market is likewise oversupplied in some lines, though not to the extent prevailing in most of the other South American countries. This has resulted partly from the lately increased capacity of American and European shippers to fill orders, and partly from the anxiety of Peruvian dealers to resupply their stocks, which for some years have been short. In July, for example, one German merchant in Lima was preparing to send a buyer to the United States to purchase from $300,000 to $400,000 of textiles alone.

Import Accumulation Soon Absorbed

"It is probable that the existing accumulation of imports will be absorbed within the next few months. Exportation on normal scale should be resumed before a great while, even at the reduced prices. This, and the curtailment now effected in buying should within such time restore exchange to nearer par, so it may be expected that importations should be stimulated. Basic conditions in industry and commerce in Peru are essentially sound, since cost of production of staple exports is comparatively low there, and important products are sufficiently diversified to prevent dependence upon one article such as sugar in Cuba. There is, moreover, such an infinite extent of undeveloped natural resources, which the world will sooner or later have to have, that extensions of industries will eventually be a dominant factor in the commerce of Peru. The immediate business condition there can be considered relatively hopeful."

But in studying the present and future economic condition of Peru it is well to remember that besides the United States there is Great Britain which also has large interests in Peru and which by reason of these has always had a very

large percentage of the Peruvian trade.

Recent statistics show that Great Britain has not been neglecting her former South American markets. Thus, I find, that in the first nine months of the present year Great Britain's exports to Peru reached the value of £3,147,000, while in a similar period of 1914 they were only £921,000. During the nine months of 1920 Peru exported to Great Britain to the value of nearly $41,000,000, while her exports to this country in a like period were nearly $53,000,000, which proves that Great Britain is certainly looking after her pre-war trade and losing no time in getting her share of Peru's excellent raw products.

Trade with the United States

In the nine months of 1920 Peru has doubled her cotton tonnage to the United States at a gross value of $14,133,000, compared with $4,471,000 in nine months of 1919. Peruvian cotton sold early in 1920 as high as 75 cents a pound and there are large stocks at present in the hands of the manufacturers.

Sugar cane exports from Peru increased in 1920 from ten million pounds to one hundred and forty millions with a value of $19,199,000. But since then the price has come down so considerably that at this moment Peruvian raw sugar is selling around five cents a pound, and consequently the revenues of Peru are suffering accordingly.

Copper to the total value of $12,800,000; rubber in greater quantities at the highest average price reached; hides and wool contributed to the record movement in both quantity and value of Peruvian 1920 exports to the United States.

Peru has sent the United States thus far in 1920 $9,786,000 of silver and $703,000 of gold. The United States has shipped to Peru $3,653,000 in gold.

It is a belief not so far shaken that somewhere in the 545,000 square miles of coast, mountain and plateau, of equatorial and temperate climate and of dry and rainy season country which forms Peru, anything which can be grown anywhere or mined anywhere in North or South America, can be produced.

The present moment is certainly not bright but there can be no doubt that better conditions will soon prevail throughout the world and that with a return to normality in prices commerce, finance and industry will find their true levels and a healthier and sounder condition will result.

Peru has to heed President Leguia's sound advice and exert herself to increase her productiveness, develop her latent wealth and encourage emigration to her shores.

The possibilities of Peru are great, for she has everything conducive to happiness and prosperity; the one drawback would seem to be a lack of confidence in herself as evidenced by the restlessness of her people too wont to make the Government responsibile for each and every setback the country may experience, regardless of the fact that the present world depression is not of the making of any one administration but the result of an artificial condition which the World War made possible, and which now totters because it was not built on any solid economic principle.

Peru Likely to Recover Quickly

I believe that of all the countries of South America, Peru will be the first to forge ahead after the present adjustment is completed. It is to the interest of the United States to see that exchange is stabilized because if the dollar continues to soar the republics of America will be forced to increase their trade with the European and also with the Asiatic countries to the detriment of the United States. Peoples always are ready to buy in a cheap market, and the prevailing price of dollar exchange is of a nature to drive trade away from the United States. The figures I have given with reference to the British trade revival are sufficient to show how easy it is to divert trade when differences in prices are taken into account.

Commenting on the gravity of the present commercial situation of Peru created by the high rate of exchange of the dollar, which prevents importers from placing orders in the United States, *El Tiempo*, of Lima, declares it necessary that both the Government and exporters take measures to remedy the situation. This newspaper suggests that exporters throw the balance of their goods on the American market in order to improve the exchange rate.

In Peru we wish to buy American goods but we do not wish to, nor can we, pay fancy prices for them. Therefore it behooves the manufacturers, traders and financiers of the United States to do something on their part, and to do it quickly in order to normalize a situation which, if allowed to endure, will jeopardize the trade of the South American countries with the United States, and send them back to Europe.

Peru is, of all the Republics of South America, the one most favorably disposed to the United States. The people of Peru desire to work in complete friendship and absolute harmony with the people of the United States, and the Government of Peru has evidenced its earnest desire to give every possible encouragement to this popular sentiment.

Were I to venture to give advice, I would suggest that the financiers of the United States and also the statesmen should make it a point to see that certain of the American Republics are properly financed and developed by the aid of American capital. There is no getting away from the fact that the present moment is the most propitious one to permanently secure a continuous supply of the raw products which the United States needs for her great industrial plants. Already the rivalry of nations is being made manifest in the quest for petroleum, coal, water power, cotton, wool, hides and food stuffs.

In Peru, all of these are to be found in abundance. Do not chase rainbows by seeking to reconstruct Europe; open up South America, which is the natural outlet for your superfluous energies. Establish lasting footholds there and create those bonds of friendship which in time of crisis and need will prove of greater value to you than the dollars you may now have to pour into those countries to attain an end so well worth the attaining.

THE TREND OF RECENT FINANCING

(*Continued from page 830*)

INDIAHOMA REFINING 8s

This is also a 10 year 8% issue, but the offering was made at a price of 98½ which brings the yield to maturity down to 8.25%. Since its incorporation in 1915 this company has increased its business from $1,000,000 to $14,500,000 and since that time it has an unbroken dividend record of not less than 12% per year. There will be $2,000,000 of the bonds outstanding and a sinking fund is provided whereby $100,000 of the bonds will be redeemed every six months. The proceeds of the issue will be used to increase the company's resources by the purchase of crude oil at prevailing low prices.

TEMTOR CORN AND FRUIT 8s

This company is engaged in the business of producing and distributing in the United States preserves, jams and jellies made from corn syrup. The new issue of bonds is secured by a first and closed mortgage on the company's Granite City plant, recently purchased for $4,500,000 and on the plant located at Penn Yan, New York. In addition the issue is secured by deposit with the Trustees of $1,000,000, Serial 8% Notes of the Best-Clymer Mfg. Co., maturing on the same dates as the bonds and representing the only outstanding indebtedness of that company. The bonds are serial, maturing in equal amounts semi-annually from April 1, 1922 to October 1, 1931, and are outstanding in the amount of $1,500,000. They were offered at prices to yield 8¼%.

DENVER GAS AND ELEC. LIGHT 7½s

These bonds are the obligation of one of the strong western public utility companies. They are termed General Mortgage bonds, but they will share in the lien of the First and Refunding Mortgage of the company through pledge of a like amount of First and Refunding Mortgage, 5% Bonds, which represent a direct first mortgage on a substantial part of the company's properties. The bonds run for a period of 25 years and were offered on a basis that returns the investor a yield of 7.85% over that length of time. They are well protected and rank well.

MUNICIPAL ISSUES

Of the municipal issues the city of Seattle 6s running serially from 1927 to 1941 come first in point of size, the same being issued to the extent of $2,175,000. The principal and interest on the bonds are payable from the gross revenues of the entire Municipal Light and Power Plant and System and the bonds were issued for the purpose of providing funds to make certain additions and extensions to this plant. They were brought out on a basis to yield 6% for all maturities. Two county issues were recently offered, one the Cook County, Ill., 4½s due serially 1925 to 1940 and the other, the Monmouth County, N. J. 6s due in 1926. The former were offered on a basis to yield from 5.70% to 5.20% depending on maturities, and the latter at 101.40 to yield 5.70%.

BOND BUYERS' GUIDE

Foreign Government Bonds

	Apx. Price	Apx. Yld. %
Belgian, 7½s, 1945	97	7.75
Jap. 4s, 1931 (par $974)	64	9.50
Jap. 1st 4½s, 1925 (par $974)	82	9.50
Jap. 2nd 4½s, 1925 (par $974)	82	9.50
U. K., Gt. B. & I. 5½s, Nov., 1922	94¾	9.30
Paris 6s, Oct. 15, 1921	97¼	11.80
U. K., Gt. B & I. 5½s, 1929	88¼	7.30
French Cities 6s, 1934	74½	9.40
U. K., Gt. B. & I. 5½s, 1937	85½	7.00
Dom. Can. 5s, April, 1926	92¼	6.70
Dom. Canada 5s. April, 1931	88½	6.50
Dom. Canada 5½s, Aug., 1929	92	6.75
U. K., Gt. B. & I. 5½s, Nov., 1921	99½	6.50
Dom. Canada, 5½s, Aug., 1921	99½	6.50

Industrial Bonds

†Midvale Steel 5s, 1936	75¾	7.70
§Va.-Car. Chem. 1st 5s, 1923	93	8.10
‡Chile Copper 7s, 1923	93¼	8.00
§Colorado Ind. 5s, 1934	69½	8.90
§Wilson & Co., conv. 6s, 1829	85	8.75
‡Chile Copper 6s, 1932	70½	10.50
§Western Electric 1st 5s, 1922	95½	8.25
§Amer. Cotton Oil Deb. 5s, 1931	74	8.80
‡Int. Mer. Marine 6s. 1941	79½	8.10
§Braden Copper 6s. 1931	81	8.80
§Central Leather 5s, 1925	88¼	8.20
§Beth. Steel Ext. 5s, 1926	90	7.25
§Wilson & Co., 6s, 1941	89	7.00
†Beth. Steel Ref. 5s, 1942	82	6.60
†U. S. Rubber 5s, 1947	78¼	6.80
‡Col. Fuel & I. 5s, 1943	81½	6.60
†Amer. Smelt. & Ref. 5s, 1947	75½	7.10
§Armour R. F., 4½s, 1939	79¾	6.40
§Rep. I. & Steel 5s, 1940	84½	6.40
†Lackawanna Steel 5s, 1950	73½	7.00
‡U. S. Steel 5s. 1963	94¼	5.30
†Gen. Elec. Deb. 5s, 1952	87½	5.90
†Gen. Elec. Deb. 6s, 1940	100½	5.95

Public Utility Bonds

§Amer. Tel. & Tel. 4s, 1929	78½	7.50
‡Nor. States Power 5s. 1941	78	7.05
§Manhattan Consol. 4s, 1990	55½	7.20
†Amer. Tel. & Tel 6s, 1925	99¾	6.10
‡Consol. Gas N. Y. 7s, 1925	99½	7.10
†Pac. Gas & Elec. g. & r. 5s, 1942	77	7.05
†N. Y. Telephone 6s, 1949	90½	6.75
§Detroit Edison 1st coll. 5s, 1933	88½	6.30
†Amer. Tel. & Tel. 5s, 1946	82¼	6.40
‡N. Y. Telephone 4½s, 1939	81	6.25
†Detroit Edison 1st Ref. 5s, 1940	80	6.90
‡Southern Bell Tel. & T. 5s, 1941	81½	6.65
§Western Union Tel. 4½s, 1950	79	6.05
†Hudson & M. rf. 5s, 1957 (Ser. A)	65	8.05
‡Colombia G. & E. 1st 5s, 1927	85	8.00
§Pub. Ser. N. J. 5s. 1959	64	8.15
§Int. Rap. Transit 5s, 1966	54¾	9.50

Railroad Bonds Legal for Savings Banks N. Y. State

First Grade:		
‡So. Pac. Ref. 4s, 1955	75¾	5.60
§C. Bur. & Quincy Ill. 3½s, 1949	72	5.40
‡Union Pac. 1st 4s, 1947	80	5.40
‡Atch., T. & Santa Fe Gen. 4s, 1995	76¾	5.25
§Chi. & N. W. Gen. 5s, 1987	94	5.30
‡Union Pacific Ref. 4s, 2008	75¾	5.30
†Nor. & West. Cons. 4s, 1996	76½	5.30
§N. Y. Cent 1st 3½s, 1997	68	5.20
§Lake Shore 1st 3½s, 1997	68	5.20
§Ill. Cent. Ref. 4s, 1955	74½	5.70
§M. St. P. & S. S. M. 4s, 1938	79	5.95
§C. B. & Quincy Gen. 4s, 1958	78¾	5.30
§Lou. & Nash. Unified 4s, 1940	81½	5.60
§Atl. Coast Line 4s, 1952	77	5.60
§Del. & Hudson Ref. 4s, 1943	79¾	5.65
Second Grade:		
‡N. Y. Cent. Ref. 4½s, 2013	77¼	5.80
‡Nor. Pac. P. L. 4s, 1997	75¾	5.30
§Gt. Northern 4¼s, 1961	80	5.50
§Pennsylvania Cons. 4½s, 1960	86½	5.30
†Nor. Pac. 3s, 2047	54	5.60
§C. M. & St. Paul Gen. 4s, 1989	68¼	5.85
§Pennsyl. Gen. 5s, 1968	25¾	5.90
‡Nor. Pac. Ref. 4½s, 2047	79½	5.70
‡Balt. & Ohio 1st 4s, 1948	67½	6.60
†C. M. & St. P. Conv. 5s, 2014	64½	7.80
†C. M. & St. P. Conv. 4½s. 1932	65	9.60
‡Balt. & Ohio P. L. 3½s, 1925	81½	8.10
†C. M. & St. P. Ref. 4½s, 2014	59¾	7.55

Not Legal for N. Y. Savings Banks

First Grade:		
§So. Pac. Conv. 4s, 1929	78½	7.45
‡Union Pac. Conv. 4s, 1927	83½	7.20
§Ore. Short Line Ref. 4s, 1929	79¾	7.25
§Peoria & Eastern Cons. 4s, 1940	59¾	8.15
§Colo. & South 1st 4s, 1929	81	7.00
‡Atch. T. & Santa Fe Adj. 4s, 1995	69	5.80
‡South Pac. Col. 4s, 1949	69	6.40
§San Ant Ar. Pass 1st 4s, 1943	63	7.40
§Ches. & Ohio Gen. 4½s, 1992	75	6.00
‡Cen. Pac. Ref. 4s, 1949	72¾	6.00
§Lake Shore Deb. 4s, 1931	81¾	6.40
†Ore.-Wash. R. R. & N., 1961, 4s	71¼	5.85
†Western Pac. 1st 5s, 1946	83	6.35
‡Ill. Cent. C. St. L. & N. O. 5s, 1963	83½	6.15
‡So. Pac. Conv. 5s, 1934	93	5.75
§N. Y. Cent. L. S. 3½s, 1998	61	5.75
§Kan. City Term. 4s, 1960	71½	5.85
§Atl. Coast Line L. & N. 4s, 1952	68	6.40
§South. Ry. Cons. 5s, 1994	83½	6.00
§New Orleans Term. 4s, 1953	64½	6.75
§Ill. Central 5½s, 1934	90	6.65
§St. Louis S. W. 1st 4s, 1989	66¾	6.00
§Reading Gen. 4s, 1997	80	5.00
Second Grade:		
§St. Louis S. W. Cons. 4s, 1932	62½	9.40
§Wabash 1st 5s, 1939	86	6.30
§Kan. City South, 3s, 1950	55	6.25
†St. Louis-S. F. P. L. 4s, 1950	60½	7.25
§Rio Grande West 1st 4s, 1939	63¼	7.75
‡Den. & Rio Grande Cons. 4½s, 1936	68	8.15
§C. C. C. & St. L. Deb. 4½s, 1931	77½	7.65
§N. Y. C. & St. L. 1st 4s, 1937	78	6.15
§C. R. I. & Pac. Gen. 4s, 1988	70	5.75
†Virginian 1st 5s. 1962	82½	6.15
†Pere Marquette 5s, 1956	80½	6.40
§Ches. & Ohio Conv. 4½s, 1930	75	8.40
†Colo. & South Ref. 4½s, 1935	73¾	7.50
§Rio Grande West Coll. 4s, 1949	52	8.50
‡Ches. & Ohio Conv. 5s, 1946	82¼	6.40
†N. Y. Cent. Conv. 6s, 1935	88¼	7.30
‡C. R. I. & Pac. Ref. 4s, 1934	66¾	8.10
§Cent. of Ga. 6s, 1929	85	8.50
§Kan. City South Ref. 5s, 1950	74¼	7.10
§South Ry. Gen. 4s, 1956	57¾	7.50
§Balt. & Ohio 6s, 1929	88½	7.90
†St. Louis S. F. Adj. 6s, 1955	62½	9.80

†Smallest denomination $100.
‡Smallest denomination $500.
§Smallest denomination $1,000.

USES AND ABUSES OF LIFE INSURANCE

(*Continued from page 852.*)

plication, be truthful. By all means be accurate in your answers to the doctor. Your application and the record of your medical examination both form a part of the insurance contract, and if you make a false statement, it might annul and void the whole contract, so that if you should die the company could avoid paying the death claim. If you are in doubt as to what some of your ancestors died with, say you don't know. If you have had a sickness mention it according to the doctor's questions, and be as accurate as you can as to dates and duration. If you have anything about you in the nature of a habit, do not deny it when questioned, for **it is better to be turned down on examination, than to get your policy by false answers.**

If you pay your premium before you get your policy, be sure that your receipt is signed not only by the soliciting agent, but by the company as well. For if you pay your premium on application and get a receipt from the company for it, and die before you get your policy, the policy must be paid.

Read over your application blank and the medical blank and the policy. Do not be unduly suspicious, but it is your privilege to have everything cleared up that may be doubtful in your mind. The great advantage of insurance is to give assurance.

In making the succeeding payments, keep your receipts with your policy. Pay annually if you can, for by so doing you will not have to pay so much.

If you marry and get a larger salary,

take out more insurance. If you get $40 a week, take out a thousand-dollar policy in a certain company. Then apply to a different company for a continuous instalment policy of $4,000 and make that payable to your wife personally, in instalments of ten payments—$400 a year for 10 years, making the thousand-dollar policy payable to your estate.

By making the thousand-dollar policy payable to your estate, your wife will get it if you die, but it helps your credit and will clear up any obligations that you might have hanging over you. Also, it will afford an immediate fund for the use of your wife which she will need. The other four-thousand-dollar, continuous instalment policy, payable to her at the rate of $400 a year for ten years will assure you and her against the fellow who is almost sure to come along and try to get her money for "blue sky."

As your income increases, increase your insurance proportionately. You will find that, after a few years, you will take a keen interest in your policies. And when they come to mature you will never regret that you took them out.

Don't get it into your head that you are spending money when you pay insurance premiums—you are only depositing it and saving it. Your motive in striving is not for your own selfish gratification, but you are providing for others. You are at the head of a family and are under just as much of an obligation to protect your wife and your estate after your death as you are during your life.

The rich man only gets out of life what he eats and wears so far as material considerations go, but he wants to protect those he loves even as you do; and when you take out an old line life insurance policy and do it right, you are doing something that has the sanction of the greatest financial minds in the world. In other words, you are in good company.

NEWS AND GOSSIP OF THE PETROLEUM WORLD

(*Continued from page* 855.)

sonable prevision and be able to discount the immediate future.

Interesting Gossip

On April 1 the Street was regaled with a report that the $15,000,000 the Doheny and Mex Pete interests expected to secure by a new issue was to be applied to the purchase of the AGWI steamship interest in Atlantic Gulf Oil Corporation's holdings in Mexico, including the tankers. The deal would strengthen Doheny, relieve the steamship company of embarrassing commitments and clear up a disturbing situation. Late in the day Mr. Doheny stated that all negotiations were definitely abandoned, and AGWI immediately declined from $40 to $34, and Mex Pete didn't advance. Probably there were no negotiations at all, most of such rumors being idle gossip.

From Pittsburgh comes the report, carried by a leading oil trade journal, that an important change is pending in the Guffey-Gillespie Oil Co., foreshadowed by an inventory of the Mid-Continent producing properties by engineers employed by the prospective buyers. The producing properties are good ones and profitable, but it is said Mr. Guffey and Mr. Gillespie have been pretty hard hit in recent weeks and have chosen to relinquish some of their holdings.

Probably a majority of persons will assume that ownership of oil properties causes the financial failures, and thus strengthen their grudge against the oil business. A better explanation is that speculation in other and less profitable lines brings about most of the failures. Supported by a steady and comfortable income from oil, men sometimes over-estimate their ability to remain too far out on a limb in rough weather. Right now the oil business is intrinsically stronger than almost any other industry. It is monkeying with some business not so good that brings financial embarrassment to successful oil operators.

English Government Oil

The Anglo-Persian Oil Co., two-thirds of the stock of which is owned by the British government, is offering 3,500,000 shares of one pound sterling par to the public, to provide for an extensive exploration campaign in North and South America, in Europe, Asia and Africa. Besides producing crude oil the corporation is undertaking oil shale development, refining, pipe lining, marketing and marine transportation throughout the world. The government of Great Britain can successfully maintain wildcatting on an extensive scale where private corporations would fail, not because the government knows more about petroleum and its exploitation, but because private capital has definite limitations of credit, political influence and territorial control. A number of private corporations are at this writing suffering from financial anæmia superinduced by the extra-territorial germ, commonly known in the oil trade as wildcatting.

Aptly illustrating this idea, a leading English oil trade journal in its latest issue ribs up the English public to take on Anglo-Persian stock by explaining that the 258,000 oil wells of the United States produce an average of only five and a half barrels, whereas the one and only oil well in England produces seven barrels a day! As an average it's great; as a comparison it's out of sight.

Other Oil Financing

That other triangular petroleum corporation—the Royal Dutch-Shell syndicate, the Royal Dutch Petroleum Co., and the Shell Transport & Trading Co.—is collectively and singularly floating a few million pounds sterling, dollars and shillings of new capital for expansion in many countries. The Shell Trading & Transport Co. is of English affiliation, but in competition with the government's own corporation, the Anglo-Persian. The Royal Dutch-Shell syndicate is only two-fifth English, is in competition with the government's Anglo-Persian, therefore will have to hustle on its own. The Royal Dutch Petroleum Co., solidly Dutch and three-fifths anti-English, also controlling the Royal Dutch-Shell combine and temporary guardian of the Shell Transport & Trading Co.,

has only a morganatic recognition by the British government, and as soon as existing financial affiliations can be unscrambled diplomatic relations will cease.

As an investment Royal Dutch-Shell is gilt-edged, its dividend disbursements rarely falling below 39% and occasionally reaching 44%, tax free. The Dutch—islanders like the English—are perfectly canny in bringing everything home, and need no sympathy or encouragement as against Britain in their petroliferous ambitions. The Shell Transport & Trading Co. may be the poor relation of the family, but so far has been a good dividend-payer. The government's own Anglo-Persian corporation is returning to the national treasury some of the original investment via dividends, but they have been plowed under for fertilizer. The new issue is a guaranteed 9% investment.

Oiling and Coaling

During the fortnight two vessels left New York harbor in record time—the White Star liner *Olympic* and the Cunard liner *Aquitania*. Oil accomplished the feat. The *Olympia* cleared forty-eight hours after docking, with 25,000 barrels of fuel oil in her tanks, or enough for the round trip. Her fuel tanks had just been enlarged to hold 7,700 tons, or approximately 52,000 barrels of liquid fuel, only six hours being required for bunkering. The *Aquitania* has approximately the same bunker space. The liquid fuel requirements of these big passenger ships are generally filled on the American side.

Zealous conservationists tell us that a noticeable percentage of the heat units of the fuel oil is wasted in the interest of speed, but admit that the waste may be condoned because of unusual accomplishment. It is not easy to compute in cold coin the saving made possible by the use of fuel oil, but it is great. The large investment in construction and operation of vessels like these two means continuous operation to maintain profitable returns, every twenty-four hours in port costing heavily in loss of revenue. By reducing the time required to take in fuel from twenty-four to forty-eight hours down to six hours a big saving is made, that easily offsets the technical waste of heat units and makes oil the economical fuel.

ANSWERS TO INQUIRIES

SLOSS SHEFFIELD STEEL & IRON 10-YEAR 6s—1929

Well Secured

These bonds are outstanding to the extent of $6,000,000 and were issued in 1919. The notes are a direct obligation of the company but not secured by any mortgage, but are subject to the usual indenture provision that so long as these notes are outstanding the company will not mortgage any of its property except purchase money mortgages. These notes were offered in 1919 by prominent banking interests at 97¾ and it was shown that between 1915 and 1919, the company was able to earn its interest requirements by an excellent margin. During the war the company made enormous profits and the margin of safety for these bonds was of course very great. Although the earnings are falling off somewhat, the company's products have been established for very many years and although common stockholders might not do so well during a depression period, we believe that bondholders have nothing whatever to fear.

CITY OF TOKYO 5% STERLING LOAN —1952

A Cheap Foreign Issue

These are payable in pounds sterling at the current rate of exchange of London, the par value of bonds being £100 and £200. Sterling bonds are outstanding to the extent of nearly £5,000,000 and are a direct obligation of Tokyo which is one of the largest cities in the world. Repayment of principal and interest is secured by a special first charge on the net revenues of the tramways and electric lighting undertakings of the city and by a general charge on all other revenues. The bonds were first put out by Kuhn, Loeb & Co. of New York at 95¾ and while sterling remained high between 1912 and 1914, these bonds sold between 85 and 90. Their low price is probably due to the fall in exchange and general conditions; also, perhaps, to some misunderstanding as to the status of these bonds. We believe they are very well worth current the selling prices of around 57.

PURE OIL COMPANY

Its Speculative Status

The weak spot in Pure Oil Company is the growth in its capitalization since the foundation of the predecessor company. Pure Oil Company is the successor of the Ohio Cities Gas Company, and the capitalization today includes bonds totaling $13,000,000 and stock totaling $190,000,000. Of the authorized issue of capital stock, approximately $60,000,000 is outstanding, but of course the company is allowed to issue the remainder without restriction.

The company started with a very small capitalization originally as the Columbus Production Company, and the latter was taken over by the Ohio Cities Gas Company in April, 1914, and the present change was made within recent months. Originally, a very small public utility company the company found oil and is now almost exclusively in the oil business. The company largely controls the Cabin Creek Field in West Virginia, where it has apparently made most of its money.

The present common stock has a par value of $25, compared with $100 for the old stock which accounts for the difference in price between the present stock and the old stock of the Ohio Cities Gas Company. The indicated earnings are apparently about $5 a share compared with cash dividend of $2 per share per annum and the equivalent in stock dividends.

This company must be regarded as an oil company and not a utility, which latter portion of its business yields a very small part of its revenues. The capitalization of the present company is at least ten times that of the former company, and

although earnings are likely to be fairly good while oil sells high, it remains to be seen what the company can do during a period of depression in the oil industry. The stock has fair possibilities.

WESTINGHOUSE ELECTRIC
7% BONDS—1931
A Sound Bond

These bonds are outstanding to the extent of $30,000,000 and were put out in October, 1920. The purpose of the issue was to secure working capital for a fixed period and to liquidate notes payable. The company is in a good position and is expanding its business. At the time of the issue of these bonds, current assets of the company amounted to approximately $128,000,000, while current indebtedness including taxes approximated $30,000,000. The entire indebtedness of the company would be this issue plus about $6,000,000 of other bonds. At the time of issue of bonds, the capital stock amounted to $75,000,000 par value, then having a market quotation of around $70,000,000.

Interest requirements on these notes would total $2,100,000, while income for the year up to that time was $8,000,000, and interest charges only $751,000 on current outstanding bonds. The aggregate income for the company and proprietary companies for the year ended March 31 was about eight times the interest charges. Unfilled orders amount to about $74,000,000 and the company estimates that it will do a gross business of $150,000,000 for the year. There have been rumors of additional financing but this has been denied by official directors.

It is claimed that the $30,000,000 bonds referred to will enable the company to reduce large inventories which will probably not again be increased abnormally for many months if industrial revival proceeds along helpful lines.

WILLYS OVERLAND COMPANY
Still Doubtful

Banking interests who are identified with the Willys Overland Company and the Willys Corporation, are considering a consolidation of the two organizations in order to facilitate adjustment of the financial difficulties of both concerns. The principal executive personnel of both companies is practically the same, and it is believed that the best way out of the present difficulty will be through the amalgamation of the two companies.

For the past six months Willys Overland's operations have been so reduced that profits have amounted to practically nothing. The company's chief concern, however, lies in bank loans of approximately $20,000,000. Practically all the banks holding these notes have granted extensions and if they continue to do so, it is expected that the company will be able to improve its position by the Spring, when it is believed an opportunity will present itself to reduce inventories and bring in cash. It is understood that before an amalgamation of Willys Overland and the Willys Corporation can be completed, several difficulties will have to be overcome; but if they can be surmounted the financial problems of both companies will be considerably simplified.

WESTERN PACIFIC
Operation of Denver

This railroad was incorporated in Delaware in 1916 as a holding company for the old Western Pacific Railway Company. The latter is the operating company and succeeded at foreclosure sale in 1916 to the property of the Western Pacific Railway. The old company was formed in 1913 to construct and operate a line from Salt Lake City to San Francisco in the interest of the Denver & Rio Grande Railroad. The road was opened in July, 1911. The new company proposes to enforce its claim under the reorganization plan against the Denver & Rio Grande, arising out of the latter company's guarantee of the old Western Pacific bonds.

In May, 1917, the District Court directed judgment for about $38,000,000 against the Denver company. In January, 1918, the Circuit Court of Appeals confirmed the decision, making the judgment a lien on the property of the Denver, inferior to all the mortgage bonds. In June, 1918, the equity in the $10,000,000 stock of the Utah Fuel Company owned by the Denver (subject to collateral lien of $15,000,000 Rio Grande Western 1st Cons. 4s) was sold in partial satisfaction to above judgments, and was purchased by Western Pacific for $10,000,000. In September, 1918, having realized about $7,771,395, the trustee made a distribution of $150 for each $1,000 bond.

The road comprises about 1,000 miles and connects with the Denver and Rio Grande at Salt Lake City, forming a through route to the Pacific. Denver & Rio Grande is actually a good earning proposition at the present time, and Western Pacific is placing itself in a strong position, through its operation and control of this road.

Western Pacific is now covering its fixed charges and showing substantial earnings for its preferred and common stock. The situation is still speculative but the common and preferred stocks have good speculative possibilities.

PHILADELPHIA ELECTRIC COMPANY
High Grade Preferred Issue

The company supplies the entire needs of the City of Philadelphia. Both as regards its gross and net earnings there has occurred during the past six or seven years a steady increase. This increase has been practically uninterrupted during the period referred to and during the year 1919, after the payment of 8% dividends on the $6,000,000 preferred stock outstanding, the earnings were equal to 8.80% on the common. The preferred issue is high grade in all respects, while the common has a substantial equity behind it as well as a good market upon which to sell.

PACIFIC GAS & ELECTRIC
Making Good Showing

The preliminary income account of the Pacific Gas and Electric Company for the year ended December 31, 1920, shows surplus, after all charges and taxes of $3,915,854. This is equivalent, after the deduction of preferred dividend to $6.28 a share earned on the $34,004,058 common stock, as compared with $3,340,353 or $5.32 a

share in the preceding year. Undoubtedly a turn for the better has come in the earnings of this company, and during the past three years there has been a very healthy and steady growth in the company's business. As the outlook is for a continued reduction in operating costs during the current year, it would seem that earnings for 1921 will be considerably better than those for 1920, when the company, after the payment of dividends on both classes of stock, showed a surplus left over of $437,718.

PENNSYLVANIA R. R. GENERAL 4½s —1965

Good Security and Rating

Outstanding $124,255,000, the indenture of this bond contains no sinking fund provisions. The security is a first lien on 419 miles of track, and a second lien on 1,917 miles, and a third lien on 314 miles. The bond is also secured by all the equipment of the company, subject only to car or equipment obligations outstanding thereon, in addition to real estate, piers, etc., in New York and upon real estate owned by the company in Philadelphia, Pittsburg, Altoona, and elsewhere. The issue is a legal investment for savings banks in California, Connecticut, Maine, Massachusetts, Michigan, Minn., New Hampshire, New York, New Jersey, Rhode Island, Virginia and Wisconsin. The bonds are listed on the New York and Philadelphia Stock Exchanges, and the earnings of the company over a period of ten years have averaged 1¾ times the interest requirements. We consider this a high grade security, which could be readily disposed of if need be.

SUBMARINE BOAT COMPANY

Entirely Too Speculative

The Submarine Boat Corporation controls the Old Electric Boat Company, Holland Torpedo Boat Company, and the New London Ship & Engine Company, and other subsidiaries. The company has under lease large shipyards at Newark Bay, N. J., and during the war, made and fabricated a very large number of submarines and ships. The company having been formed in 1915 was strictly a "War Bride" and made of course its best earnings during the war. It does a large turnover as a rule, but its business does not seem to have been operated at any great profit. For the year ending December, 1919 (last reported), gross business done totaled $100,000,000 but the net income was a little under $5,000,000. The company charged over nearly $3,000,000 for depreciation, etc., and the surplus was a trifle over $2,000,000. The company has authorized 800,000 shares of no par value, of which 765,920 are outstanding. Reduced its dividend of $2 to $1 a share which was paid from February 7, 1920, until very recently.

The stock can only be classed as a speculation and until it can be seen what the company can do under normal conditions, the outlook is rather clouded. The shipping business is not very prosperous just now, and we doubt whether the company will be able to show much profit for some time to come. It is notable that the common stock sold at 77 during the boom in war stocks and in the last few months

declined to around $10 a share. It has been selling below $10 for quite some time. There seems to be little interest in the company during the past few months and the outlook for higher prices for its stock is not very promising at this writing.

SOUTHERN PACIFIC-SAN FRANCISCO TERMINAL 4s—1950

A High Grade Bond

These bonds are outstanding to the extent of approximately $25,000,000, are a direct obligation of the Southern Pacific Company, secured by a first mortgage on 11 miles of double-track road, 214 parcels of land in the City of San Francisco, containing 320 acres, 45 parcels of land in the County of San Mateo, containing about 382 acres, and six parcels of other land containing about 15 acres, partly in San Francisco and partly in San Mateo or a total of 718 acres. The Bay Shore line is a very important one and used by every train of the Southern Pacific system entering the City of San Francisco. These bonds are legal to savings banks in California or in Connecticut, and were issued to reimburse the company for constructing the Bay Shore Road and the acquisition of terminals and other facilities. This bond is very well regarded and we see no reason why it should not be held.

READERS' ROUND TABLE

WOULD YOU CALL HIM AN INVESTOR?

An Interesting True Story With a Moral—"Let Well Enough Alone"

We received the interesting letter that follows from a new subscriber. The facts are so concisely stated that we feel the illuminating experiences of "S. C. H." will be followed with admiration, awe, amusement and, finally, a good deal of sympathy for the man *who nearly made a fortune on a shoestring:*

Editor, The Magazine of Wall Street.

Sir:—I would like to relate my experience of speculative investments which are so common with the novice, this revelation covers a period of two years in five episodes or ventures which ought to teach a lesson to average amateurs. These ventures are partly supported by letters from a banker and brokers with whom I had any dealings.

1st Venture:—Savings in bank, securing loan from the bank, purchasing securities through the bank.

In February, 1919, I had $575 savings with "X" Trust Co. of San Francisco. I spoke to the cashier of the bank, told him that I desired to invest my savings in stocks; he said that his bank would buy for me any bond or stock that I desired. I told him that I wanted 10 shares American Hide and Leather pfd. and 10 shares Colorado Fuel. He had me to sign a note for $1,000 at 6% and in a few days I was notified that the bank had bought for me 10 H. & L. pfd. at 100⅞ and 10 Colo. Fuel at 41¼; I kept on saving, watched the price of stocks go up until H. & L. was selling as high as 142⅞ and Colo. Fuel 56¼; I figured my paper profits and thought myself some financier, the advance amounted to about $580 on paper or as much as my hard savings of several years. I was happy and saving hard with the consequence that I finally paid off the note and when the stock certificates were delivered to me, I was delighted.

2nd Venture:—Borrowing money from a bank with my securities as collateral, buying speculative stocks on margin, taking profit.

In January, 1920, I was in Indiana. I borrowed on January 24, 1920, from "Y" National Bank, Ind., $1,000. I went to Chicago and on different dates during February, 1920, I bought following securities on margin from brokers: 25 Marine pfd. at 78¼, 25 Food Products at 60⅝ and 25 Virginia Chemical at 63. On or about March 4 I sold above securities at following prices: Food Products at 69¼; Marine pfd. at 94⅝ and Virginia Chemical at 76⅛, deriving a very handsome profit; with the profits derived from above named transactions I bought a Harley Davidson Motorcycle with side car. I was happy.

3rd Venture:—Buying stocks on margin, taking loss by keeping margin up to a point where resources nearly exhausted.

On or about April 26, 1920, I was in Davenport, Iowa. As I had some surplus cash I bought 25 Marine pfd. at 88, thinking that I will be able to duplicate my second venture. The price of Marine pfd. fluctuated, but advanced above 90 in July. At this time H. & L. pfd. was selling at about 93, so I thought there was a good chance for me to average up, so on July 9 I bought 25 H. & L. pfd. at 93⅛. Soon after this purchase both stocks began to drop violently. I was called for additional margain of $500, which I furnished, but decline was too rapid. I finally disposed of both stocks at about 63, taking a loss of about $1,200. With the balance due me and some additional cash I bought $250.00 in Liberty Bonds.

4th Venture:—Buying stocks on margin with stop sale order of eight point decline.

On the 9th of December I was in Seattle, Wash. I thought I would take a chance of about $200 on three different kinds of stocks, so on a ten point margin I bought following stocks: 25 Writing Paper pfd. at 36⅝; 25 Marine pfd. at 51½ and 25 Virginia Chem. at 34¼. In about ten days my margins were wiped out, the broker having sold Writing Paper pfd. at 28⅛ and Virginia Chem. at 26⅛. I was in Chicago on December 29 and on that day let go Marine pfd. at 48¾; in this transaction I lost about $550.

5th Venture:—Conservative investment, buying bonds or stocks with cash available or in sight.

I began to think in my third and fourth venture I lost something like $1,800. I figured up several times over what $1,800 would have bought for me by way of investment. I could have bought £1,000 Chinese Ry. 5s; I could have bought a house, automobile, something tangible, now all I have is just a fleeting memory of $1,800 flown away; but there is consolation if I didn't dabble in stocks I probably would never have saved. Out of every wreck salvage remains, nearly always.

On December 31, 1920, I was in Washington, D. C., and as I had some money

left and some due me from Government, I decided to buy Chinese Ry. Bond which so often has been recommended by MAGAZINE OF WALL STREET, 5% Huknang Ry. sinking fund gold loan of 1911; comes in denominations of £20, £100 and £200, but I didn't know it so I bought two hundred pound bond; two £100 bonds were delivered to me and I salted them away. I also bought 25 Columbia Graphophone at 9½ and 100 Heyden Chemicals for cash. The securities that I hold now may not be of great value, but they have accumulated and from now on I intend to add to them from time to time, studying finance as I go along. At present I hold following securities: 10 H. & L. pfd.; 15 Colo. Fuel; 2 Cosden Oil (no par); 105 Heyden Chemicals; 100 Stanton Oil, 5 Fisk Rubber, 5 Overland, 5 Food Products, £200 Chinese Ry. Bonds, $650 Liberty Bonds; 25 Columbia Graphophone. On some of these securities I still owe my bank $900. In this connection I wish to call your attention that although collateral value back of my $1,000 note fell to about $800, the bank hasn't sold my securities and I felt morally bound to take up or renew my note, which I did, depositing additional securities.

If your editorial staff can doctor this letter up in such manner as to be fit for print, I would be glad to see it published.

S. C. H.

We did not find occasion to "doctor up" or even cook this letter or the facts. We prefer handing them out raw. Our readers have been reared that way, and prefer to know that we put matters up to them "as is." S. C. H. started off very well. He was a bull in a bull market. But he certainly did not consider investment worth or he would never have touched Hide & Leather preferred. Neither this nor Colorado Fuel is in the widow-and-orphan class, but the former is a good actor so far as price movements go, at times. As he has since learned, the good actors behave badly when they grow sullen. For example, Marine preferred, Writing Paper preferred and others.

Like a number of beginners, S. C. H. stepped in perhaps where the angels might have feared to tread, and found himself carried along with the wave of speculative enthusiasm that deluged the country in the last bull market. He did not really dispose of an investment at an investment level when he sold his Hide & Leather. What he did was to have the good fortune of being in a mixed company of bullish enthusiasts, who came along in platoons eager enough to relieve the other man of his stock at any price, and any profit.

These things are pleasant enough when the going is good. It often works out that way in a bull market. Get the market right, and go with it—turn when it reverses, and repeat the process *ad libitum*, and you are bound to make a fortune. Simple enough!

Unfortunately though, not one novice or beginner in a hundred knows enough when to turn, and the usual upshot of his turning point is a heavy boot painfully applied to his equity, where it really hurts, without his having much to say about it one way or other. In other words, he ends by overtrading, over-enthusiasm, confusion, and retreat. The broker usually exercises judgment on the subject, rather than the customer at that stage.

On the whole, the combined experience of S. C. H. resulted in good. It taught him the value of saving, and the difficulty of speculating consistently well. His scale plan (4th venture) is a form of stop loss protection too generous, perhaps, but better than no stop at all when speculating. Why did he jump from "conservative investment" (5th venture) to such things as Heyden Chemical, Stanton Oil, Willys-Overland, etc.? Surely he must have known that these are not conservative, nor are they investments.

The feature we like best about his whole proposition is his systematic saving, but it would be a pity if he were to eventually spoil the plan by losses in ill-advised speculations. Chinese Bonds are bonds after all, even if they are not gilt-edge; the price around 40 proves that. Liberty Bonds are certainly a gilt-edge investment; and there might be no occasion to put all his money into the best providing he trains himself to watch his step, and run like the mischief when he finds he is wrong. He must learn to let well enough alone. If good fortune comes to him, and he makes a bit, he should not fail to salt away at least half in Liberty Bonds or some other gilt-edge investment.—Editor.

MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, March 28......	69.96	76.19	70.18	69.03	67.83	686,879
Tuesday, March 29.....	69.94	77.13	71.71	69.27	67.70	662,222
Wednesday, March 30...	70.08	76.26	71.10	69.45	67.92	641,510
Thursday, March 31....	70.03	75.76	70.78	68.01	67.07	546,740
Friday, April 1..........	69.98	75.72	70.41	67.79	66.80	549,920
Saturday, April 2.......	70.01	75.27	70.18	67.60	66.80	281,815
Monday, April 4.........	69.79	75.16	70.05	67.25	66.28	540,449
Tuesday, April 5........	69.82	76.16	70.46	67.95	66.76	563,130
Wednesday, April 6.....	69.90	76.58	70.56	68.13	67.41	488,429
Thursday, April 7.......	69.99	76.16	69.98	67.90	66.91	421,350
Friday, April 8..........	69.94	75.61	69.59	67.19	66.17	363,950
Saturday April 9........	69.88	75.73	69.53	67.03	66.29	178,060

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.

INDUSTRIALS

Advance-Rumely Company.—Annual Report for the year ended Dec. 31 last, shows a surplus, after charges, Federal taxes, inventory adjustments, etc., of $1,277,231. This is equivalent, after deduction of preferred dividends, to $3.84 a share on the $13,750,000 outstanding common stock, and compares with a surplus of $2,401,907, or $12.03 earned on the common stock in the previous year.

The balance sheet as of Dec. 31, last, shows property accounts, $5,973,999, compared with $4,969,222 at the end of 1919; inventories, $10,489,973, against $8,321,599; notes and accounts receivable, $5,503,987, against $3,725,600; investments, $12,131, compared with $2,898,254; cash, $1,003,981, compared with $1,615,739; accounts payable, $967,501, against $1,245,684, and notes payable, $1,810,000, against nothing at the close of 1919.

American Beet Sugar Co.—Dividend Passed. At their meeting on April 4, the directors decided to pass the dividend on the common stock. This issue had been paying 8% annually for some time, the last quarterly payment of 2% having been made on January 31, last.

According to statement issued by the directors, "the financial condition of the company is thoroughly sound. The tangible current assets, sugar on hand at present market prices, large holdings of Liberty Bonds, cash in banks, bills receivable, are greatly in excess of current liabilities. The working capital remains intact, and there is still a balance remaining in the contingent surplus fund, after providing for dividends on the preferred shares paid during the year, and reserving a substantial sum for improvements."

American Glue Co.—Annual Report for 1920 shows a surplus, after charges and Federal taxes, of $830,445. This is equivalent, after preferred dividends, to about $15.35 a share on the $4,367,600 common stock, and compares with a surplus of $749,211, or $40.50 a share earned on the $1,455,000 common stock in 1919.

Associated Dry Goods Corp'n.—Annual Report for 1920 shows a surplus, after all charges and Federal taxes, of $1,916,569. This is equivalent, after deduction of 1st and 2nd preferred dividends, to $4.11 a share on the $14,985,000 outstanding common stock, and compares with a surplus of $3,297,374, or $13.34 a share earned in 1919.

Austin Nichols & Co.—Financial Report covering the year ended Jan. 31, last, shows net profits, after charges and taxes, of $391,024. This is equivalent, after preferred dividends, to about 4c a share on the 150,000 shares of common stock of no par value, and compares with net profits of $1,264,468, or $6.70 a share earned in the previous year, after payment of preferred dividends.

The balance sheet as of Jan. 31, last, shows inventories of $6,946,786; accounts and bills receivable, $3,410,367; cash, $1,710,671; bills and accounts payable, $6,213,517, and total assets and liabilities of $16,146,488.

Babcock & Wilcox Company.—Annual Report for 1920 shows net income, after charges, Federal taxes, and inventory adjustment, of $2,207,803, equivalent to $14.72 a share on the 150,000 outstanding shares of capital stock. This compares with a net income of $2,874,475, or $19.15 a share earned in the preceding year.

Borden Co.—For 1920 the company shows a net income, after charges and Federal taxes, of $2,818,860. This is equivalent, after preferred dividends, to $10.95 a share on the $21,368,100 common stock outstanding, and compares with $4,284,602, or $17.80 a share earned in 1919.

Since the close of the year, the company's bank loans have been reduced from $12,750,000 to $7,800,000, the report says. As a result, current assets at this time show a ratio of about $2 for every $1 of current liabilities, which compares with a ratio of $1.64 to $1, as of Dec. 31, 1920.

Computing-Tabulating-Recording Co. —Net Profits in 1920, after writing down inventories, were $2,704,757, and net income, after interest, etc., was $1,881,880. This was equivalent to $14.36 a share on the 131,033 shares of capital stock of no par value, and compares with $2,126,674 or $20.28 a share (par $100) earned on the $10,482,700 capital stock in 1919.

Consolidated Textile Corp'n.—Dividend Omitted. The corporation has passed the quarterly dividend due at this time on its capital stock. An initial quarterly dividend of 75c a share was paid on January 22, 1920, and the same rate has been maintained up to the present time.

Continental Candy Co. — Schedule Filed recently by attorneys for the receivers shows liabilities aggregating $3,908,936, of which $2,575,859 are unsecured claims. Secured claims amount to $1,279,905, taxes due to the United States amount to $19,179, and to the State of New Jersey, $14,274. Notes and bills amount to $1,825, while wage claims amount to $17,892. Assets aggregate $6,569,392, made up principally of stock in trade, $890,400; machinery and other equipment, $892,357; accounts receivable, $242,160; real estate, $2,507,267; patent rights, etc., $1,299,518; stocks and bonds, $300,000, and other assets, $393,790.

Diamond Match Co.—Net Income, after charges and Federal taxes, for the year ended Dec. 31, last, was $2,147,301, equivalent to $12.64 a share on the $16,965,100 outstanding capital stock. This compares with a net income of $2,173,416, or $12.80 a share earned in the previous year.

Fiske Rubber Company.—Annual Report for the year ended Dec. 31, last, shows a surplus after inventory adjustments and Federal taxes, of $2,130,133. This is equivalent, after deduction of preferred dividends, to about $1.68 a share on the $15,494,000 common stock (par value $25), and compares with a surplus of $3,994,657, or about $6 a share earned on the $12,254,500 common stock outstanding in the previous year. After payment of preferred and common dividend there was a deficit of $431,606 for the year, as compared with a surplus of $2,104,119 for 1919.

The balance sheet as of Dec. 31, last, shows real estate, buildings, machinery, etc., valued at $10,859,824, as compared with $9,449,504 at the end of 1919, with

good-will and patents, $8,000,000, and investments, $3,917,302. Inventories were $21,842,797, compared with $19,982,357 at the close of 1919; accounts and notes receivable were $9,751,333, compared with $9,021,665, and cash on hand, $2,419,277, against $1,541,635. Loans payable were $16,818,321, compared with $10,351,000 the year before, while accounts payable were $724,003, against $2,268,911.

General Electric Co.—Financial Report for the year ended Dec. 31, last, shows a surplus, after charges and Federal taxes, of $22,132,288, equivalent to about $15.90 a share on the $139,026,900 outstanding capital stock. This compares with a surplus of $25,077,970, or approximately $20.80 a share earned, on the $120,557,200 outstanding capital stock in 1919. Net sales during the year were $275,758,488 compared with $229,979,983 for 1919.

General Motors Corp'n.—Annual Report for 1920 shows net income, after depreciation, inventory shrinkage, and Federal taxes of $37,883,521. Of this amount $37,750,375 applies to General Motors Corp'n proper, and after deduction of preferred and debenture dividends, there remained $32,129,949 available for common dividends. This is equivalent to $1.58 a share on the outstanding 20,284,580 shares of common stock of no par value, and compares with a surplus of $55,792,972, or $36.36 a share on the 1,534,110 shares of common stock of $100 par value outstanding in 1919.

The corporation has declared the regular quarterly dividend of 25c a share on the common stock, together with $1.50 a share on the preferred, $1.50 a share on the 6% debenture, and $1.75 a share on the 7% debenture stock, all dividends being payable May 2 to stockholders of record April 15.

Gray & Davis, Inc.—For the 7 months ended July 31, last, the company reports a net loss of $463,109, and for the last five months of 1920 a net loss of $4,998.

The balance sheet as of January 31, last, shows property accounts, $7,266,127, compared with $5,307,709 on the same date of 1919; cash, $1,275,554, compared with $8,224,276, the latter item including U. S. certificates of indebtedness; accounts receivable, $3,891,508, compared with $573,256; inventories, $6,608,167, against $1,850,967, and accounts payable and taxes, $2,123,403, compared with $728,623.

Haskell & Barker Car Co.—Annual Report for the year ended Jan. 31, last, shows net profits, after charges and estimated federal taxes, of $2,278,320. This is equivalent to about $10.35 a share on the 220,000 shares of capital stock of no par value, and compares with net profits in the previous year of $1,727,553, or $7.85 a share.

Hayden Chemical Co. of America, Inc.—For the 15 months ended Dec. 31, last, the company reports a net income after expenses and depreciation, of $240,964. This is equivalent to 48c. a share on the 500,000 outstanding shares of no par value.

International Motor Truck Co.—Current sales of trucks are said to be responding readily to the improved business conditions. In January and February, reflecting the general business depression, orders ran at the rate of about 60% of the average of the last half of 1920. February deliveries, on the other hand, showed a 50% improvement, compared with the low point of January, and the management states that March will probably show as great an increase. The second quarter, at any rate, promises to show at least as good a rate as the last half of 1920. Owing to the fact that the company in the past has closely adhered to the policy of shaping production to conform with deliveries, it has not increased its inventory of manufactured trucks during the past three months, while it has materially reduced stores of raw materials. Acceleration of deliveries are expected by the management to be reflected in expanding plant operations.

International Salt Co.—Balance after charges and Federal taxes, for the year 1920, was $892,793, which is equivalent to $14.70 a share on the $6,077,130 capital stock. This compares with a balance of $549,097, or $9.03 a share reported for the 10 months ended Dec. 31, 1919.

Intercontinental Rubber Co.—Surplus, after expenses and taxes, for the year ended Dec. 31, last, was $36,135, equivalent to about 12c. a share on the $29,031,000 common stock.

The balance sheet as of Dec. 31, last, showed cash amounting to $5,219; accounts and notes receivable, etc., $437,033; advances on rubber, $148,298; investment securities, $1,014,030; bills and accounts payable, taxes accrued, etc., $219,707; reserve accounts, $564,321; and total assets and liabilities of $34,297,243.

Jones Bros. Tea Co., Inc.—Annual Report for 1920 shows net income, after charges and federal taxes, of $495,333. This is equivalent, after deduction of preferred dividends, to about $2.15 a share on the 100,000 outstanding shares of common stock, and compares with net income of $494,543, or $2.14 a share earned in the previous year.

Liggett's International, Ltd., Inc.—Consolidated Statement for the year ended Dec. 31, last, giving combined earnings of all subsidiary companies for the 12 months, and those of Booth's Pure Drug Co. for 9 months, shows net profits, after all charges and reserves, equivalent to $14.65 a share on the $7,000,000 class A and B common stock ($100 par value).

Martin-Parry Corp'n.—Net Income for the year ended Dec. 31, last, after charges and federal taxes, was $311,345. This is equivalent to $3.11 a share on the 100,000 shares of no-par value capital stock outstanding.

The balance sheet as of Dec. 31, last, shows cash, $98,732; accounts and notes receivable, $172,497; inventories, $1,186,451; real estate, machinery, etc., $1,932,357; accounts payable $74,961, and a profit and loss surplus of $1,245,823.

May Department Stores.—Annual Report of the company and its subsidiaries for the fiscal year ended Jan. 31, last, shows net profits, after charges and federal taxes, of $4,379,675. This is equivalent, after deduction of preferred dividends, to about $19.70 a share on the $20,000,000 common stock, and compares with net profits of $4,198,104, or $24.92 earned on the $15,000,000 common stock outstanding in the previous year.

The general balance sheet as of Jan. 31, last, shows inventories, $8,272,903, compared with $10,253,908 on Jan. 31, 1920; accounts and notes receivable, $4,993,830, compared with $4,613,977; cash on hand, $2,859,465, against $2,348,263, and accounts payable, $2,160,040, against $3,208,781. Profit and loss surplus was $11,430,348, compared with $13,578,361 the year before, the reduction being largely the result of heavy writing down of inventories.

Mathieson Alkali Works, Inc.—Surplus, after charges and Federal taxes, for the year ended Dec. 31, last, was $497,563, equivalent, after preferred dividends, to $2.41 a share (par $50) on the $5,885,700 outstanding common stock. This compares with a surplus of $192,679,

equivalent to $6.08 a share on the $3,169,-600 outstanding preferred stock in the previous year.

Montgomery Ward & Co.—March Sales totaled $7,395,985, as compared with $11,896,146 in March, 1920, a decrease of 37.8%. For the 3 months ended with March sales aggregated $18,596,529, compared with $32,059,371 for the corresponding period of 1920, a decrease of 42%.

National Enameling & Stamping Co. —Current Business.—Three plants of the company, two in Granite City and one in St. Louis, have resumed operations after several weeks' lay-off. The company's manufacturing plants are now operating at about 50% of capacity, and its steel plant is running at about 40% of capacity. Resumption of operations is on the basis of "open shop," with wages reduced approximately 15%. Since the company's products were lowered in price (approximately 25%) orders are said to have shown considerable improvement, notably from the Central States.

National Lead Company.—Annual Report for 1920 shows net earnings, after charges and federal taxes, of $4,735,-509. This is equivalent, after preferred dividends, to $14.55 a share on the $20,-655,400 common stock, and compares with net of $4,632,560, or $14.17 a share earned in the previous year.

The balance sheet as of Dec. 31, last, shows a plant investment of $54,283,693, compared with $41,510,506 at the close of 1919; other investments amounted to $7,685,312, against $11,789,208. Inventories, $19,602,194, against $16,044,315; cash, $3,719,880, against $3,259,036, and accounts receivable, $19,045,946, compared with $15,478,310. Accounts payable were $4,494,434, against $3,936,780 at the close of 1919, notes payable were $4,432,083, against "0" the previous year, and surplus was $20,344,417, compared with $18,553,-965.

New York Transportation Co.—For the year 1920 the company reports a surplus, after charges and all taxes, of $1,126,630, equivalent to about $4.80 a share ($10 par value) on the $2,350,000 outstanding capital stock. This compares with a surplus of $765,795, or $3.25 a share earned in the preceding year.

COMPANIES WHOSE SECURITIES ARE ANALYZED IN THIS ISSUE

Sears, Roebuck & Co.—Dividend Passed.—The directors have passed the quarterly dividend on the capital stock due at this time. Previously the company had been paying 2% quarterly. The last dividend was paid on Feb. 15th and was in 6% scrip.

In announcing omission of the dividend the directors authorized the following statement: "The beginning of this year found the company with a large stock of merchandise and accumulation of indebtedness caused by the general slump in business and greatly reduced demand for winter goods, due to lack of cold weather. Expenses have been curtailed and sales are showing substantial increases. March sales will be approximately $19,500,000 which is 16% more than March, 1919, and only 29% less than March, 1920. Conditions of the company have greatly improved since January 1, and liabilities are being materially reduced. The company has no commitments direct or indirect, other than those necessary for the current conduct of business upon present volume of sales and all of company's commitments are based on present level of prices."

Spicer Mfg. Corp'n.—Surplus after interest charges, depreciation, inventory adjustments, and Federal taxes, for the year ended Dec. 31st, last, was $646,022, equivalent, after preferred dividends, to $1.29 a share on the 313,750 outstanding shares of no par value, common stock.

The consolidated balance sheet as of Dec. 31st, last, shows inventories at cost or market, whichever was lower, of $6,-292,263; accounts and notes receivable, $1,810,633; cash, $455,424; notes payable, $2,852,690; accounts payable, including pay rolls and sundry accruals, $876,047; reserves for Federal taxes, $473,602; surplus, $2,007,845, and total assets and liabilities of $19,266,186.

Standard Screw Co.—Annual Report for 1920 shows net income, after depreciation and Federal taxes, of $1,444,-331. This is equivalent after deduction of the 6% preferred dividend, to $48.40 a share on the $3,500,000 outstanding capital stock, and compares with a net income of $900,704, or $34.02 a share earned on the $2,500,000 common stock outstanding in the preceding year.

Steel & Tube Co. of America.—Surplus, after Federal taxes, interest, depreciation, and shrinkage of inventories, for the year 1920, was $6,315,209. This is equal to about $36.10 a share on the $17,500,000 preferred stock outstanding.

Steel Co. of Canada, Ltd.—Annual Report for 1920 shows a surplus, after charges and taxes, of $1,855,404. This is equivalent, after preferred dividends, to $12.20 a share on the $11,500,000 common stock, and compares with a surplus of $2,-382,171, or $16.75 a share earned in the previous year.

Stutz Motor Car Co.—Annual Report for 1920 shows net profits, after all charges and estimated Federal taxes, of $1,027,385. This is equivalent to $5.13 a share on the 200,000 shares of capital stock of no par value, and compares with net profits of $997,148, or about $9.96 a share earned on the 100,000 shares of capital stock outstanding in the previous year.

The consolidated balance sheet as of Dec. 31st, last, shows plants, equipment, etc., $4,344,262; cash, $217,043, compared with $2,057,154 at the close of the preceding year; accounts receivable, $285,296, against $365,166; inventories, $3,049,238, against $1,497,884; notes and accounts payable, $635,252, compared with $293,753, and surplus, $5,044,414, compared with $5,772,958.

Superior Steel Corp'n.—Annual Report for 1920 shows a surplus after

charges sinking fund, and Federal taxes, of $857,820. This is equivalent, after deducting 1st and 2nd preferred dividends, to $8.92 a share on the 60,000 shares of common stock outstanding, and compares with a surplus of $816,726, or $7.90 a share earned in the preceding year.

Times Square Auto Supply Co.—For the year 1920 the company reports a net profit, after dividends and depreciation, of $10,831.

The consolidated balance sheet as of Dec. 31st, last, shows cash, $211,000; accounts and notes receivable, $878,696; inventories, $4,178,606; buildings, automobiles, etc., $1,321,418; notes payable, $899,000; trade acceptances, $678,880; accounts and notes payable, $1,065,871, and profit and loss surplus, $679,912.

Timken-Detroit Axle Co. — Annual Report for 1920 shows net profits, after reduction of inventories and Federal taxes, of $712,509, and a total surplus of $17,820,062. Cash on hand amounted to $671,151, and inventories were valued at $10,932,531. Total current liabilities were $3,574,801, of which $3,000,000 were bank loans, and $387,480, accounts payable.

United Alloy Steel Corp'n.—Capital Increase.—At the recent special meeting the stockholders' vote was unanimously in favor of the proposed amendment to the certificate of incorporation, whereby the number of shares which the corporation may issue shall be increased from 525,000 to 995,000, whereof 905,000 shares shall be common stock without nominal or par value, and 50,000 shares shall be 7% cumulative preferred stock of the par value of $100 per share.

Favorable action was also taken on the proposed terms and considerations upon which additional stock may be issued by the directors to acquire the entire stock, assets, property and business of the Berger Mfg. Co., and the United Furnace Co.

United Cigar Stores Co. of America. —March Sales totaled $6,472,581, being about 6.5% above those of March, last year, and 32% ahead of the same month of 1919.

For the first three months of 1921, sales totaled $18,164,219, being 7.7% larger than for the corresponding period of last year, and 40% ahead of 1919.

U. S. Industrial Alcohol Co.—Gross Earnings for 1920, after deducting operating expenses and adjustment of inventory totalled $5,102,831. After allowing for depreciation to the extent of $867,488, and after preferred dividends, the balance available for the common stock was $2,790,936, which is equivalent to $11.63 a share on the 240,000 shares of common stock outstanding, comparing with $10.05 a share earned in 1919.

The balance sheet as of Dec. 31st, last, shows the company to be in a strong position, as regards working capital, which at the end of the year amounted to $10,334,069, an increase of $688,535 over 1919. This increase resulted from the decrease in current liabilities of $2,469,008, after an increase in property account of $2,322,765, and a decrease in outstanding bonds and real estate mortgages of $808,896. Only $95,000 of bonds are now outstanding.

Profit and loss surplus as of Dec. 31st, last, was $13,364,125, against $12,493,208 in 1919. Cash and Liberty Bonds held by the Company at the end of the year amounted to $4,760,713, and bank loans and drafts were $1,594,500, a decrease of $1,569,500 from the previous year.

United States Rubber Co.—Income account for the year ended Dec. 31, last, shows net profits, after charges and provision for Federal, Canadian and British taxes, of $21,220,983. This, after payment of dividends on the 1st and 2nd preferred stocks, is equivalent to $19.75 a share on the $81,000,000 outstanding common stock, and compares with a net profit of $17,730,237, or $17.60 a share on the $72,000,000 common stock outstanding in 1919.

Virginia-Carolina Chemical Co.—Dividend Passed.—The directors have decided to pass the quarterly dividend on the common stock, due at this time. For some time past the issue had been on a 4% per annum basis. The directors declared the quarterly dividend of 2% on the preferred stock, payable April 15th to holders of record, April 2nd.

Vulcan Detinning Co.—Report for 1920 shows a surplus, after expenses, depreciation, inventory adjustments and Federal taxes, of $62,125, which is equivalent to $2.25 a share on the $2,419,000 combined preferred capital A stock and preferred stock. This compares with a surplus of $149,157, or $9.95 a share on the $1,500,000 preferred stock in 1919.

For the quarter ended Dec. 31st, last, the company reported a net deficit of $34,019.

MINING

Anaconda Copper Mining Co.—March Production of copper was 11,600,000 lbs., compared with 9,000,000 lbs. for February; 9,700,000 lbs. for January, and 18,450,000 lbs. for March of last year.

Calumet & Arizona Mining Co.—Annual Report for 1920 shows net income, after charges and Federal taxes, of $1,849,202. This is equivalent to $2.88 a share ($10 par value) on the $6,425,210 outstanding capital stock, and compares with a net income of $524,416, or about 81c. a share earned in the preceding year.

Calumet & Arizona Mining Co.—March Production of copper was 3,455,672 lbs., compared with 3,330,000 lbs. in February, 2,438,000 lbs. in January, and 3,164,000 lbs. in March, 1920.

East Butte Copper Mining Co.—Surplus from mining operations, for the year ended Dec. 31, last, was $208,636, equal to 49c. a share on the outstanding stock. This compares with a surplus of $524,189, or $1.24 a share earned in 1919, and $765,469, or $1.81 earned in 1918.

After a deduction of $276,798 for cost and expenses of East Butte's oil development, there resulted a net deficit of $68,162.

Federal Mining & Smelting Co.—Total Receipts for 1920 were $4,259,370, compared with $2,474,864 for 1919, and the balance after taxes and charges, was $1,513,843, compared with $718,149. After dividends there was a surplus for the year of $794,676, compared with $268,671 for the preceding year. The balance sheet as of Dec. 31, last, shows cash amounting to $794,668; materials and supplies, $286,948; depreciation reserves, $327,280; accounts payable and payrolls, $209,593, and total assets and liabilities of $21,948,340.

La Rose Consolidated Mines Co.—Annual Statement shows a total output for 1920 of 410,445 ounces of silver, having a net value of $313,995. This compares with 289,317 ounces in 1919, valued at $356,124. The profits on the 1920 production amounted to only $13,279, the average price received for the silver amounting to 83.41c. an ounce. Cost of producing the silver was 73.27c. an ounce.

Miami Copper Co.—Copper Production in March was 4,475,000 lbs., which

compares with 4,200,101 lbs. in February, 4,389,993 lbs. in January, and 5,011,535 lbs. in March of last year.

It is officially stated that the company has no intention to suspend operations at its properties, regardless of the action taken by other companies.

Mohawk Mining Co.—Profits after expenses, but before providing for depreciation, depletion and Federal taxes, were $632,767 for the year ended Dec. 31, last. This compares with profits of $570,-635 reported for the previous year.

New Cornelia Copper Company.—Annual Report for 1920 shows net income, after charges and Federal taxes, of $991,137, equivalent to about 55c. a share on the $9,000,000 capital stock (shares $5 par value). This compares with a net income of $17,246, or approximately 1c. a share earned in the previous year.

Deliveries of copper during the year amounted to 34,146,769 lbs., for which the company received an average price of 18.56c. a lb. But decreased demand and falling prices at the close of the year forced the company to curtail production and reduce wages of all employes. Its flotation plant was closed down Feb. 28, last, and the management announces that it will remain closed until the general copper situation shows more distinct signs of betterment.

New Cornelia Copper Co.—March Output was 2,220,186 lbs. of copper, compared with 1,975,918 lbs. for February, 2,170,000 lbs. for January and 3,516,000 lbs. for March of last year.

Old Dominion Co.—Report for 1920 shows a loss of $308,165, after a charge of $472,288 for depreciation and depletion. This compared with a loss of $723,134 in 1919, and a profit of $301,761, equivalent to $1.01 per share in 1918.

Copper production for the year amounted to 22,854,452 lbs., and copper sold totalled 28,818,025 lbs., at an average price of 18.34c.

United States Smelting, Refining & Mining Co.—For the year ended Dec. 31, last, net earnings were $2,909,274, after charges, depreciation, and after reduction of inventory to market prices. This is equal, after preferred dividends, to $3.44 a share on the $17,555,750 ($50 par) common stock, and compares with net earnings of $6,641,214 in 1919, after all charges and federal taxes, for both 1918 and 1919. After payment of both common and preferred dividends, there was a deficit at the end of the year of $548,526, which compares with a surplus of $3,007,857 at the end of 1919.

The company's copper output in 1920 was 1,391,116 lbs., against 8,919,044 lbs. in 1919; lead, 77,545,368 lbs., against 68,-648,864; silver, 18,227,889 ounces, against 17,758,498; gold, 123,175 ounces, against 146,749; zinc, 16,852,918 lbs., against 7,680,548.

The directors of the company have voted to pass the dividend on the common stock. The regular quarterly dividend on the preferred stock of 87½c. a share, however, was declared, the same being payable April 15 to stockholders of record April 6.

Utah Consolidated Mining Co.—Report for 1920 shows a deficit, after deductions, of $196,140, which contrasts with a surplus of $181,965 for 1919.

Last year the company produced 3,187,-492 lbs. of copper, 9,999,350 lbs. of lead, 273,730 ounces of silver, and 4,697 ounces of gold.

PUBLIC UTILITIES

American Power & Light Co.—Gross Earnings of subsidiary operating companies for December were $2,255,080, an increase of $560,624 over December, 1919, and net earnings were $901,415, an increase of $175,380.

For the 12 months ended with December gross earnings were $21,715,-092, an increase of $5,480,812 over the preceding 12 months, and net earnings were $7,431,310, a gain of $1,295,601.

American Telephone & Telegraph Co.—Dividend Raised.—At a recent meeting, directors authorized the president to announce their decision to establish 9% as the regular annual rate of dividends to be paid upon the company's shares, beginning with the dividend payable July 15, next.

Cities Service Co.—Capital Increased.—At the annual meeting on April 26, the stockholders will be asked to approve an increase in the authorized amount of the common stock of the company from $50,000,000 to $100,000,-000, the purpose of the increase being to provide additional common stock for regular stock dividends on the common stock, conversion of outstanding debentures, and for future corporate requirements.

The company has declared a monthly dividend of 35c a share on its Bankers Shares, payable May 2 to holders of record April 15. The same amount was paid on April 1, last.

Commonwealth Power, Railway & Light Co.—February Gross Earnings were $2,633,699, an increase of $157,-672 over February of last year; surplus after charges and taxes was $272,177, an increase of $15,482, and balance after deduction of preferred dividends was $182,412, an increase of $15,482.

For the 12 months ended with February, gross earnings were $31,688,390, an increase of $4,834,488 over the preceding 12 months; surplus after fixed charges and taxes was $1,887,062, a decrease of $725,635, and balance after preferred dividends was $809,882.

Consumers Power Co.—Gross Earnings for February last were $1,233,403, an increase of $93,843 over February, 1920, and the balance after charges, taxes, and preferred dividends, was $229,383, a gain of $88,909. For the two months ended with February gross earnings were $2,526,894, an increase of $205,806 over the corresponding period of last year, and the balance after taxes, charges, and allowing for preferred dividends, was $502,178, a gain of $156,-233.

General Gas & Electric Co.—For the year 1920 the company reports gross receipts of $537,594, and after expenses and taxes, net earnings of $511,680. From this amount $400,386 was deducted for interest and amortization, leaving net income for the year of $111,294.

Great Western Power Co.—Gross Earnings in February were $601,936, an increase of $144,509 over February, 1920, and surplus, after charges, was $162,560, an increase of $102,099.

For the 12 months ended with February gross earnings were $6,833,561, an increase of $1,337,013 over the preceding 12 months; and surplus, after charges and taxes, was $1,429,228, an increase of $568,341.

Hudson & Manhattan Railroad Co.—Gross Revenue in February was $814,-

458, an increase of $127,146 over February of last year. After allowing for taxes and charges, including full interest on the company's 5% cumulative adjustment income bonds, there was a deficit of $10,593, compared with a deficit of $118,203 last year.

For the two months ended February 28, last, gross revenue was $1,690,805, an increase of $280,102 over the corresponding period of 1920, and after taxes and charges there was a balance of $21,226, compared with a deficit of $183,199 for the first two months of 1920.

Lone Star Gas Co.—Gross Earnings in 1920 were $4,812,937, compared with $3,814,996 for the preceding year, and net operating income was $1,994,796, compared with $1,779,249. After taxes, depreciation, and other charges, there was a net profit of $891,822, against $892,076 for 1919.

Massachusetts Gas Companies.—Annual Report for 1920 shows operating income of $3,474,946, and net income of $3,559,445. After expenses, charges, preferred dividend, etc., there was left a balance of $1,938,980, equivalent to about $7.75 a share on the $25,000,000 outstanding common stock. This compares with a balance of $1,900,675, or approximately $7.60 a share earned on the common in 1919.

Middle West Utilities Co.—Financial Statement covering the eight months ended December 31, last, shows total income of $1,716,259, and net income of $645,778. After prior lien stock dividends and deducting preferred dividends accrued but not paid, there was a balance of $334,277.

Public Service Corp'n. of New Jersey.—Annual Report of the corporation and its subsidiary companies for the year ended Dec. 31, last, shows net income, after charges and taxes, of $2,218,408. This is equivalent, after deduction of preferred dividends, to $5.12 a share on the $30,000,000 common stock, and compares with a net income of $1,013,902, or about $1.80 a share earned in the previous year.

Republic Railway & Light Co.—Annual Report for 1920 shows net income after charges and taxes, of $713,458. This is equivalent, after deduction of dividends on subsidiary companies preferred stock, and after allowing 6% on the parent company's preferred stock, to about $1.48 a share on the $6,206,000 common stock. For 1919, the company showed the equivalent of $1.55 a share earned on the common.

Southern California Edison Co.—Surplus after charges and depreciation for the year ended Dec. 31, last, was $3,071,795, as compared with a surplus of $1,983,180, for the preceding year. Gross revenue was $13,246,995, compared with $9,241,246 for 1919, and net operating income was $8,297,053, compared with $6,089,244.

Third Avenue Railway System.—February Gross Earnings were $958,627, compared with $627,534 for February, 1920, and after allowing full interest on the Adjustment Income 5% bonds, there was a deficit of $141,988, compared with a deficit of $203,683 the year before.

For the 8 months ended with February gross earnings were $8,777,104, against $7,624,041 for the corresponding period of the previous year, and deficit, after allowing full interest on the Adjustment Income bonds, was $636,543, against $540,567.

Twin City Rapid Transit Co.—Gross Earnings in February were $1,124,369, an increase of $139,604 over February of last year, and net income, after charges and taxes, was $23,711, compared with $32,054.

For the first two months of 1921 gross earnings were $2,350,480, an increase of $308,631 over the corresponding period of 1920, and net income after charges and taxes was $42,742, compared with $53,999.

United Gas & Electric Corp'n.—February Gross Earnings were $1,093,233, an increase of $62,518 over the return for February, 1920, and surplus after taxes and charges was $134,834, a decrease of $33,288.

For the 12 months ended February 28, last, gross earnings were $12,276,858, an increase of $1,655,084, over those of the preceding 12 months, and surplus after charges was $1,359,649, a decrease of $181,630.

United Light & Railways Co.—Annual Report for the year ended December 31, last, shows gross earnings from all sources of $11,956,516, an increase of $1,786,791 over the preceding year, and net earnings of $3,275,251, an increase of $390,058. After payment of interest, charges, taxes and preferred dividends there was a surplus available for the common stock of $816,084, which represents an increase of $333,141, over the previous year's balance.

Utah Power & Light Co.—January Gross Earnings, including those of the Western Colorado Power Company, were $654,751, an increase of $77,802 over January of last year, and net income, after taxes and charges, was $353,329, an increase of $69,304.

For the 12 months ended with January total gross earnings were $6,808,651, an increase of $1,082,598 over the preceding 12 months, and surplus, after taxes and charges, was $1,638,914, a gain of $400,173.

Western Union Telegraph Co.—Annual Report for 1920 shows a surplus after charges and taxes of $12,785,722, equivalent to about $12.81 a share on the $99,786,727 outstanding capital stock. This compares with a surplus of $10,635,386, or $10.65 a share earned in 1919.

OILS

Atlantic Petroleum Corp'n.—Annual Report for 1920 shows a surplus, after depreciation, depletion and Federal taxes, of $1,045,594. This is equivalent to about 76c a share (par value $5) on the $6,807,365 outstanding capital stock.

California Petroleum Corp'n.—Annual Report for the year ended December 31, last, shows net profits, after charges and Federal taxes, of $2,350,791. This is equivalent, after preferred dividends, to about $10.60 a share on the $14,877,065 outstanding common stock, and compares with net profits of $1,277,644, or about $2.90 a share earned on the common stock in the previous year.

Sales of crude petroleum and tops from the property in 1920 were 3,753,944 bbls., valued at $5,942,356, against 3,735,712 bbls. valued at $4,831,447, for 1919.

General American Tank Car Corp'n.—For 1920 the company reports a surplus after depreciation and Federal taxes, of $1,733,804, as compared with a surplus of $2,274,976 in the preceding year.

Gilliland Oil Co.—Gross Income for the quarter ended January 31, last, was $2,093,370, obtained from production of 626,930 bbls. of oil. Net earnings were $1,045,986, and total income, $1,212,694, before providing for depreciation, depletion, and Federal taxes.

Gladys Bell Oil Co.—Dividend Passed. The company has passed the dividend on the common stock and deferred action on the preferred dividends. The last quarterly dividends of 4% were paid Jan. 15 on both the common and preferred stocks.

Houston Oil Co. of Texas.—Pamphlet Report covering 15 months ended Dec. 31, last, shows a combined surplus of $1,756,594, which is equivalent, after deducting preferred dividends, to $4.35 a share on the $25,000,000 common stock. For the year ended Sept. 30th, 1919, the company reported a surplus of $1,453,894, equivalent to $3.09 a share on the common. Profits on the company's contract with the Kirby Lumber Co. are included in these figures.

Indian Refining Co.—Net Earnings of the company and subsidiary companies, for 1920, after charges and Federal taxes, were $1,343,111. This is equivalent, after preferred dividends, to $1.45 a share (par value $10) on the 785,180 outstanding shares of common stock.

Invincible Oil Corp'n.—New Financing. The company has sold to a syndicate of New York bankers $3,000,000 of an authorized issue of $6,000,000 of 8% sinking fund convertible 10-year bonds, due March 1, 1931. As a result of this financing, the corporation will have outstanding capital of $21,056,815 common stock ($50 par value), $3,000,000 of bonds, $2,914,096 purchase money notes, and $961,684 tank car equipment obligations.

The new bonds are convertible at any time before maturity into the stock of the company at $30 a share the first year, the conversion price increasing annually $1 a share up to $39 in the last 12 months of the life of the bonds.

Marland Refining Co.—For the year 1920 the company reports net earnings of $5,155,596. After charging off expenses, operating losses, and loss on sale of Liberty Bonds, the balance amounted to $3,651,333. After restoring to income an allowance for depreciation of $596,542, the net income available for surplus and reserves was $4,247,875.

Vacuum Oil Co.—For 1920 the company reports estimated net income, after interest and depreciation, but before Federal taxes, of $8,250,000, which compares with $8,912,777 received in 1919. Profit and loss surplus as of Dec. 31, last, totalled $57,511,807, against $50,459,569 in the preceding year.

The net income of the company for the past five years has averaged $8,693,881 which is equal to 6.2 times the maximum annual interest requirements.

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